

**AUDIT COMMUNICATIONS LETTER FOR
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2014**



Professional Corporation
Certified Public Accountants



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Certified Public Accountants

November 21, 2014

To the Finance Committee and Board of Education
Columbia Public School District
Columbia, Missouri

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In planning and performing our audit of the financial statements of the governmental activities and each major fund of Columbia Public School District (the "District") as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Columbia Public School District's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Columbia Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Public School District's internal control.

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson
Heidi N. Ross

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Material Weaknesses
- II. Other Matters
- III. Status of Prior Year Comments
- IV. Professional Standards Communication

This communication is intended solely for the information and use of management, the Finance Committee, the Board of Education and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We want to express our sincere appreciation to Dr. Peter Stiepleman, Linda Quinley, Jim Cherrington and other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Columbia Public School District.

Sincerely,

Gerding, Korte & Chitwood

Gerding, Korte & Chitwood
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE MATERIAL WEAKNESSES

We noted no deficiencies that are considered to be material weaknesses.

II. OTHER CURRENT YEAR MATTERS

A. Timely Deposits (ECA accounts)

We noted the District's procedures (Finance Procedure Manual section 120) for timely depositing of receipts were not followed during the year, specifically relating to student activity deposits. The District's policy, and related procedure manual, both state that deposits are to be made daily, and no money should be left in a building overnight. However, in the items tested, we noted several instances where money was collected but not deposited in accordance with the policy. We recommend adherence to the District's policy and procedure to properly deposit receipts on a timely basis.

B. Purchasing

The District's Finance Procedure Manual, section 160 and subsection 160.40, states that all purchases must have an approved purchase order prior to obligating the District for a purchase. This requirement is consistent with the internal control and budgetary oversight specified by Board Policy DJF. During the audit we tested disbursement transactions for compliance with the policy and the related procedures. Our test results noted several disbursements that had purchase orders dated after the invoice date, indicating noncompliance with the District's policy and procedures.

Compliance with Board of Education policies and procedures in purchasing is essential for sound internal controls. However, in discussing the policy and procedure with the District's Finance Committee and Business Services' staff, we believe the current policy and procedures may be unworkable and inefficient by requiring purchase orders in all circumstances, along with numerous layers of approval. Accordingly, we suggest the policy and related procedures be reconsidered with respect to internal control objectives and operational efficiency.

C. Attendance Data

During the current audit we noted errors in the attendance data submitted to the Missouri Department of Elementary & Secondary Education (DESE). The data was corrected and resubmitted. Many of the errors could have been identified and corrected before submission to DESE, or to the auditors, with proper supervisory review. Additionally, this data is a critical component in the budgeting process for State funding. Accordingly, accuracy and communication of attendance data is critical to the District's administration.

D. Nutrition Services Fund

The District's Nutrition Services Fund operated at a deficit this past fiscal year. Because this fund is presented as a Business-Type activity, the fund's budget is not presented in the CAFR presentation. The expenses of the Nutrition Services Fund exceeded the approved budget by \$106,155. We recommend that the financial activity of the Nutrition Services Fund be regularly monitored, with particular attention to cost saving opportunities and revenue increasing opportunities.

E. Student Activities - Trips

The District sponsors several organized student trips through ECA funds, or the Grants and Donations fund, each year. This year we were asked to specifically look at several of those trips and note internal control improvements that might be possible.

Our primary recommendation in this area is to improve budgetary control and approval at the administrative level. Presently, none of the ECA account activity is formally budgeted. Instead, the budget process is done more in relation to overall totals for the fund as a whole. Several of the activities, especially the larger trips, are significant with respect to the overall total of student activities. Additionally, we noted relatively significant increases in the fund balance of several of the trip accounts, compared to the balance of the account at the start of the year and after all expenses were paid. Internal control would be enhanced if the following were implemented:

- Detailed budgets should be required for all student activity accounts anticipated to exceed a pre-determined threshold. By doing this the administration would have a basis to monitor and compare actual collections and expenditures to planned amounts.
- With respect to trips and other activities where participants are charged an amount intended to cover the cost of the activity, detailed calculations of cost per participant should be approved at an administrative level. Consideration should be given to an acceptable fund balance carryover for participant funded trips.

III. STATUS OF PRIOR YEAR COMMENTS

A. Finding 2013-01 – Cash Management

During the fiscal year ended June 30, 2014, the District made significant improvements in the timeliness of Federal drawdowns. It appears this issue has been adequately addressed.

B. Timely Deposits

Compliance with Board of Education policy is still a concern in this area and the issue is repeated in section II.

C. Purchasing

Compliance with Board of Education policy is still a concern in this area and the issue is repeated in section II.

D. Construction Projects

During the prior audit, we reviewed internal control procedures related to construction projects. We noted several areas that could be improved with respect to internal control and compliance with the Board of Education's policies. Part of the recommended improvements in internal control were implemented near the end of the June 30, 2014 fiscal year. We believe these changes to procedure will address most of our recommendations.

One area of recommended improvement should still be considered. Procedures should be implemented to assure compliance with the monitoring requirements of the State's prevailing wage statute and regulations. This responsibility should be assigned to an individual possessing significant construction knowledge and experience.

IV. PROFESSIONAL STANDARDS COMMUNICATION

A. Nature of Engagement

We were engaged to perform an opinion audit of Columbia Public School District's financial statements as of and for the year ended June 30, 2014.

B. Our Responsibility under Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 27, 2014, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement.

Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Columbia Public School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

C. Qualitative Aspects of Accounting Practices

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Columbia Public School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2014. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent and clear.

D. Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements, identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such statements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

E. Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

F. Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2014.

G. Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

H. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as Columbia Public School District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

I. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

J. Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.



M E M O R A N D U M

TO: Board of Education Members

FROM: Dr. Peter Stiepleman

SUBJECT: Auditors' Communication Letter

DATE: December 16, 2014

At the conclusion of the annual audit it is customary for the auditors to provide the administration, the Finance Committee and the Board of Education with a communication letter. The purpose of the communications letter is to provide the District with comments and suggestions which the auditors believe will improve internal controls and operating efficiency. Below I have provided our response to the audit communications letter.

Deficiencies Considered to be Material Weaknesses

The District is pleased to receive a communications letter with no deficiencies considered to be material weaknesses.

Additionally, the District appreciates the concern and advice of the external audit firm relating to other current year matters and will continue to improve policy, procedure and practice which supports these suggestions.

Federal Award Findings and Questioned Costs

The District is pleased to receive a report with no federal award findings and no questioned costs and will continue to be diligent in management of federal program funds.

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