

**AUDIT COMMUNICATIONS LETTER FOR  
COLUMBIA PUBLIC SCHOOL DISTRICT  
COLUMBIA, MISSOURI  
JUNE 30, 2010**

**GK&C**  
GERDING, KORTE & CHITWOOD

Professional Corporation  
Certified Public Accountants



GERDING, KORTE & CHITWOOD

Professional Corporation  
Certified Public Accountants

December 6, 2010

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

20 South Fifth Street  
Columbia, MO 65201  
(573) 449-1599  
Fax: (573) 443-8603  
[www.gkccpas.com](http://www.gkccpas.com)

In planning and performing our audit of the financial statements of Columbia Public School District (the "District") for the year ended June 30, 2010, in accordance with U. S. generally accepted auditing standards, we considered Columbia Public School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion 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*

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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

- I. Deficiencies Considered to be Material Weaknesses
- II. Other Current Year 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. Chris Belcher, Dr. Nick Boren, Linda Quinley 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  
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. Compliance With Federal Regulations

During the current fiscal year the District chose to purchase property and remodel that property using funding provided by the Federal government. Federal funding usually involves numerous compliance requirements. Those additional compliance requirements for property acquisition and construction include:

- *Real Property Acquisition* – Regulations governing appraisals and negotiations for the acquisition of real property.
- *Davis Bacon* – Regulations regarding contractual obligations for prevailing wage and monitoring requirements specified by the Department of Labor.
- *Procurement, Debarment and Suspension* – Regulations governing bidding, “Buy American” contract clause, and monitoring contractual relationships for debarred professionals or suspended contractors.
- *Property Management* – Requirements to keep records of property purchased with Federal funds.

With the exception of the Procurement, Debarment and Suspension requirement, which is included as a finding in our report on compliance, we found the District to be in substantial compliance with each of the requirements listed above. However, we found that documentation of compliance could be improved.

We recommend that the District improve monitoring of compliance by familiarizing personnel with the Federal regulations and documenting the District’s compliance with the regulations in a significant way. For example, in the area of Davis Bacon compliance, we recommend documentation of construction employee interviews and wage compliance testing.

*View of Responsible Official:* The District acknowledges we were unfamiliar with certain federal compliance requirements relating to acquisition and construction of property when using federal funds. With the American Reinvestment and Recovery Act funds received and used in 2009-2010, the District did make such acquisition and construction. The Director of Facilities & Construction Services is now familiar with the compliance requirements noted in the communications letter and processes have been implemented to assure full compliance in the future. Appropriate documentation processes which will verify compliance review have also been implemented.

### **III. STATUS OF PRIOR YEAR COMMENTS**

#### **A. Segregation of Duties**

*Condition:* Columbia Public School District has potential conflicts with personnel who have the ability to single-handedly access, record and report transactions related to student activities (ECA) and Career Center revenue.

*Status:* This item continues to be an issue for the District, but will no longer be reported as a significant deficiency because of additional Business Services oversight.

#### **B. Miscellaneous Accounting Issues**

*Condition:* In the prior audit, during testing of the District's cash accounts, we noted several large checks carried as outstanding (reconciling) items in the medical benefits fund. Also, we noted an error in the budget summary where an inter-fund transfer was approved from the General (Incidental) Fund with no corresponding transfer recorded for the receiving fund.

*Status:* These issues were not noted in the current audit, so it appears the District has adequately addressed them.

#### **C. Payroll Contract Simplification**

*Condition:* We believe the number of contract variables (for example, stipends for additional days and "index" factors) used by the District could be simplified to achieve a more efficient and easily monitored compensation plan.

*Status:* This item continues to be an issue and we have discussed this with District personnel. We noted that the District began efforts to simplify payroll contracts with the 2010-2011 budget.

### **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, 2010.

#### **B. Our Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards***

As stated in our engagement letter dated May 25, 2010, 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. Significant Accounting Policies**

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. There were no new accounting policies adopted in 2010. 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 of transactions for which there is a lack of authoritative guidance or consensus.

**D. Accounting Estimates**

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.

**E. Significant Audit Adjustments**

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by the District, that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. The identification and preparation of adjusting journal entries is a joint process between the audit staff and the District's accounting staff. If variances were identified during audit fieldwork, the District's accounting staff was notified and would prepare and post an adjusting entry to correct the variance. There were no adjustments brought to the attention of District personnel that were not accepted and posted to the general ledger of the District.

**F. Material Corrected Misstatements**

We proposed several adjustments that could be described as material.

**G. Significant Corrected Misstatements**

We proposed several adjustments that could be described as significant.

**H. 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.

**I. 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.

**J. 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.

**K. Difficulties Encountered in Performing the Audit**

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



---

# M E M O R A N D U M

---

**TO:** Board of Education Members  
**FROM:** Dr. Chris Belcher *Chris Belcher*  
**SUBJECT:** Auditors' Communication Letter  
**DATE:** December 30, 2010

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.

### **Compliance with Federal Regulations**

The District acknowledges we were unfamiliar with certain federal compliance requirements relating to acquisition and construction of property when using federal funds. With the American Reinvestment and Recovery Act funds received and used in 2009-2010, the District did make such acquisition and construction. The Director of Facilities & Construction Services is now familiar with the compliance requirements noted in the communications letter and processes have been implemented to assure full compliance in the future. Appropriate documentation processes which will verify compliance review have also been implemented.

tld