

**AUDIT COMMUNICATIONS LETTER FOR  
COLUMBIA PUBLIC SCHOOL DISTRICT  
COLUMBIA, MISSOURI  
JUNE 30, 2015**

**GK&C**  
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Professional Corporation  
Certified Public Accountants



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November 30, 2015

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

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, 2015, 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.

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.

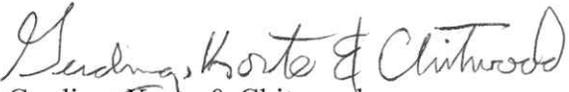
Our comments concerning internal control and other significant matters are presented as follows:

- 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, Heather McArthur and many others 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. Purchasing Policy and Procedures**

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 did not have purchase orders and several had purchase orders dated after the invoice date, which indicates 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.

### **B. Student Activities - Trips**

The District sponsors several organized student trips through ECA funds, or the Grants and Donations fund, each year. In the prior audit we commented on the need to improve internal control over these activities by increasing administrative oversight by requiring program budgets, documentation of the amount to be charged for participation in the activity and a plan for use of carryover fund balances for these activities.

During this year's audit, we noted that the Administrative Team of the District is working on improvements to the internal control over the planning process for student activity trips. Additionally, the Administrative Team is developing a plan for dealing with the carryover balances in the specific fund balance accounts. We have discussed these plans in meetings with the Finance Committee and believe the plans are a workable solution to the issues noted.

### **C. ECA Funds in General**

Internal control over student activity accounts is an issue facing every school district. Typically, the faculty and staff involved in student activity accounts may have financial management skills ranging from excellent to poor. Accordingly, the adherence to District policy and procedure and the related documentation also ranges from excellent to poor. Our testing of student activity account transactions at Columbia Public School District revealed a typical pattern of excellent documentation, in some cases, to poor documentation in others.

At most school districts, the cost/benefit of training staff, documenting transactions and administrative monitoring of student activity transactions usually falls on the side of less, rather than more. This is because in comparison to other financial activities of any school district, student activity transactions are insignificant, especially when considered at the level of any single activity. This creates a situation where the risks of financial irregularities are increased with respect to student activity transactions.

The District may want to increase internal control over student activity account transactions by implementing some of the following:

- Increasing the procedural related training for student activity sponsors and coaches
- Requiring adherence to the District's deposit procedures
- Requiring adherence to the District's purchasing procedures
- Requiring specific budgets for certain large activity accounts, with administrative monitoring of actual financial results compared to the budget

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

#### **A. Timely Deposits of ECA Funds**

This matter is discussed in a general way in Section II, item C.

#### **B. Purchasing**

This matter is repeated in Section II, item A.

#### **C. Attendance Data**

The District's attendance data was in much better order this year. This issue is no longer a finding.

#### **D. Nutrition Services**

In the 2014 Audit Communications Letter we commented on budget matters related to Nutrition Services. The deficit spending in the fund was significantly lowered through cost saving measures implemented in 2015. Monitoring of local accounts receivable balances has become a priority in managing the fiscal activities of the fund.

#### **E. Student Activities – Trips**

This item is repeated in Section II, item B.

### **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, 2015.

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

As stated in our engagement letter dated June 22, 2015, 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.

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

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. GASB 68, as amended by GASB 71, was adopted on July 1, 2014. Note 9 to the financial statements provides details of the required changes and our audit opinion is not modified with respect to this matter. 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 misstatements. 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 30, 2015.

## **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.



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# MEMORANDUM

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**TO:** Board of Education Members

**FROM:** Dr. Peter Stiepleman

**SUBJECT:** Auditors' Communication Letter

**DATE:** December 21, 2015

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. Specifically, new procedures have been implemented to allow for certain types of purchases to be authorized in manners other than advance purchase orders. Additionally, a new process is being created for overnight student travel which requires budget approval before trip costs can be shared with parents.

## **State Compliance Findings**

Bus Route approval will be approved at or before the October Board of Education meeting in future years. In August 2014, the District received an unexpected resignation of the sole transportation employee leaving an open and interim period of support in the department which resulted in delay in the approvals for 2014-15.

## **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.