

**AUDIT COMMUNICATIONS LETTER FOR
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2012**



Professional Corporation
Certified Public Accountants



GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants

December 5, 2012

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 Columbia Public School District (the "District") for the year ended June 30, 2012, 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.

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.

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley
Jeffrey A. Chitwood

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, 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. Finding 2012-01 – Cash Management

31 CF part 205 and OMB Circular A-110 (§ 1.21) specify cash management procedures aimed at minimizing the time elapsing between the transfers of funds from the US Government to the award recipient. We noted the District's requests to drawdown amounts awarded under major Federal programs were not performed on a timely basis. Additionally, the drawdown of Title I funding exceeded program disbursements by \$427,709.

The District did not implement effective internal control procedures over the cash management provisions of its Federal funding. We recommend the District implement procedures whereby quarterly drawdowns are requested for all programs. The amount of drawdown should be based upon eligible costs incurred up to the date of each drawdown.

B. Transportation

Overall, the District's transportation ridership and mileage data was well documented. However, we noted certain data related to ridership that appeared inconsistent when compared to similar routes. We recommend District personnel review routes and number of riders to ensure that transportation data appears reasonable.

C. Timely Deposits

We noted the District's cash handling procedures were not followed during the year, specifically relating to student activity deposits. The District's policy, and related procedure manual, states 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 in one week, but not deposited until the following week, or even up to one month later. We recommend adherence to the District's policy and procedure to properly deposit receipts on a timely basis.

III. STATUS OF PRIOR YEAR COMMENTS

A. Finding 2011-01 – Internal Control Over Bank Account Balances

In the prior year, we noted that bank reconciliations for the District's primary checking account were not performed in a timely manner throughout the fiscal year. Additionally, misstatements in certain investment balances between funds were not corrected in a timely manner. We recommended that the District's Business Service Department adopt a formal procedure where all bank and investment accounts are reconciled within one month of the previous month's end.

Status: During fiscal year 2012, the District performed reconciliations in a timely manner. However, we noted an error identified in the bank reconciliation process but not corrected in a timely manner in the general ledger. This misstatement was brought to the attention of management and corrected through a journal entry during the audit.

B. Pledged Security for Bank Deposits

At June 30, 2011, all of the District's deposits were not properly collateralized because of a large deposit near year end. Adequate collateral was pledged on the next business day subsequent to June 30, 2011 and there was no loss to the District.

Status: The District's deposits were properly collateralized at June 30, 2012, thus this issue appears to have been adequately addressed.

C. Segregated Debt Service Deposits and Investments

The Revised Statutes of the State of Missouri, RSMO 165.011, requires the District Debt Service bank accounts and investments to be segregated from other funds. Investment balance misclassifications between the general fund and debt service fund caused the District to not be in compliance with this requirement during the 2011 fiscal year.

Status: The District has since refined a process to allow for timely and appropriate recognition of interfund due to and from activity. Deposits and investments were properly classified during fiscal year 2012 and at year end, thus this item appears to have been adequately addressed.

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, 2012.

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

As stated in our engagement letter dated May 14, 2012, 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

1) 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. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2012. 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.

2) 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. The most sensitive estimates affecting the financial statements were:

Management's estimate of depreciation expense is based on the consideration of useful lives of assets. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of investments in debt is based on the assumptions that market participants would use in pricing the asset or liability. We evaluated the key factors and assumptions used to develop the estimate of the fair value of the investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of allowance for doubtful accounts is based on an analysis of the collectability of accounts. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of deferred revenue is based on an analysis of amounts received or billed in advance of when services are provided or revenue is earned. We evaluated the key factors and assumptions used to develop the estimate of deferred revenue in determining that it is reasonable in relation to the financial statements taken as a whole.

D. 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 prepared and posted an adjusting entry to correct the variance. However, there were two adjustments brought to the attention of District personnel that were not accepted and posted to the general ledger of the District. These adjustments were immaterial to the related fund.

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. 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 contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

G. 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.

H. 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 *DOB*
SUBJECT: Auditors' Communication Letter
DATE: December 20, 2012

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.

Federal Award Findings and Questioned Costs

The District agrees there is a need for better internal controls which guarantee timely and accurate draw-downs of federal program funds. This can be accomplished through accurate program budgeting, timely determination and coding of personnel under federal programs and better utilization of the BusinessPlus reports.

During 2011-2012, three primary federal programs experienced turnover in staffing and periods of time with vacancies which contributed to difficulty in best practice management, resulting in a failure to meet the objective of timely and accurate draw-downs. With full and more experienced staffing in place and new processes, the District will meet an appropriate schedule of quarterly draw downs.

The procedure will include detailed budgeting in March of each year by each program administrator, to include specific staffing to be funded. The budget will be reviewed in August by the program administrator after determination of final allocations of funding and carryover dollars available. Reports of staffing coded to the programs and operating budget reports from BusinessPlus will be utilized to assure the DESE budget and the District budget align. Quarterly draw-downs will be requested by the program administrator in November, February, May and a final at year end. The program administrator will provide proof of those drawdowns to the Chief Financial Officer quarterly who will assure accuracy with actual expenditures to date.

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