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Missouri State Auditor

Hickman Mills C-1 School District

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CITIZENS SUMMARY

Findings in the audit of the Hickman Mills C-1 School District

Financial Condition	The district's financial condition has improved but is still below the minimum recommended level. While further reductions in expenditures may be necessary, some reductions can be accomplished through more efficient management practices and more effective controls and procedures.
Superintendent Search Process	The Board did not follow its policies or state law when selecting a new superintendent. The Board did not solicit proposals for a search firm and allowed the search firm to participate in negotiating the new superintendent's contract, even though its fee was contingent on the starting salary. The search process was not well planned and the fee arrangement was significantly higher than it would have been had the Missouri School Board Association been used to conduct the superintendent search.
Superintendent's Leave Usage and Payout	The district did not solicit proposals for auditing and legal services related to former Superintendent Dr. Marjorie Williams' leave balances and did not make the completed audit public or share it with the full Board. District records showed Dr. Williams was owed \$195,000 in leave payout, the formal audit determined she was owed \$150,000, but the Board paid only \$72,000. Subsequently, Dr. Williams sued and the district had to pay an additional \$90,000. The Board did not monitor Dr. Williams' absences or leave, and, according to district records, she used only 3 days of vacation leave during her last 7 years of employment, the accuracy of which some Board members have questioned.
Board Oversight and Contract Payments	Board members have not been providing adequate oversight. The Board made several decisions with less than a majority of members' approval and failed to obtain written contracts with some vendors. In addition, some contracts were not provided to district administrative personnel and the failure to compare supporting documentation to a contract resulted in an overpayment to one vendor.
Sunshine Law	The district did not always comply with the Sunshine Law and held numerous improper closed meetings.
Capital Assets	The district's capital assets records are not complete, accurate and up to date, and the district cannot account for all iPads purchased and assigned to district personnel.
Procurement Cards	The district needs to improve controls over procurement cards. Approval of procurement card statements and supporting documentation is not done in accordance with administrative procedure, numerous purchases were unallowable or appear unreasonable, and the district lacks policies and controls for the use and distribution of student incentives.
Staff and Board Meals	The district does not separately account for meals and food purchases for the Board or employees, and food purchases were often made without documenting the purpose or those in attendance.
Employee Attendance	Board policy prohibits teachers from using more than 10 professional leave days in a year, but 25 teachers used more than 10 days and two teachers used more than 20 days. Board policy also prohibits employees from using more than 20 days of leave in a year, but 23 employees exceeded 20 days.

Questionable Transactions	The district made several disbursements that did not have a clear school district or educational purpose.
Travel	Board members and/or employees traveled to numerous conferences in out-of-state locations. The district spent \$26,000 for all 7 members of the Board, the former Interim Superintendent, and former Board Secretary to attend a 3-day conference in Boston, during which former Board President Anderson attended only one training session, Board member Mims attended only 2 training sessions, and the former Board Secretary attended 5 sessions, none of which covered board secretary duties. Four Board members attended the same 3-day conference in San Diego, CA in 2013, at which former Board President Anderson received only 181 minutes of training. Meal advances were not calculated correctly, and audit staff found a net overpayment of \$515 for the tested transactions. Former Superintendent Dr. Marjorie Williams was on travel 39 days during her last year before retirement, including two out-of-state conferences during her last month of employment with the district. The district has no policy in place for employees traveling by car to the same destination on the same dates.
Purchases and Contracts	District personnel did not always solicit bids or proposals for purchases when required by district policy. The district has used the same provider to serve as financial advisor and bond underwriter for several general obligation bond issues, and sold these using a negotiated sale, which violates district policy. In addition, the district does not adequately monitor employment contracts with several employees retired under the Public School Retirement System.
MAP Testing	The district did not ensure all Missouri Assessment Program testing administrators completed the required training prior to administering tests in April 2012.
Backup Data	Some backup data is not stored at a secure off-site location, which could impair the district's ability to recover in the event of a disaster.
Mileage and Fuel Logs	The district has not established effective monitoring procedures regarding fuel and vehicle use, increasing the risk of loss, theft or misuse.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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Missouri State Auditor

To the Board of Education
Hickman Mills C-1 School District

The State Auditor conducted an audit of the Hickman Mills C-1 School District under authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged Westbrook & Co., P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2012. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; site visits; inspection of capital assets; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We tested certain of those controls to obtain evidence regarding the effectiveness of their design and operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and audited financial reports and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the district.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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Management Advisory Report

State Auditor's Findings

1. Financial Condition

The financial condition of the district has improved over the last 3 years, but is still below the minimum level recommended by the district's independent auditor, which is a cash balance as a percentage of expenditures of 24 percent. An already low unrestricted cash balance, along with falling revenues, required reductions in district expenditures to improve the district's reserve balance. These reductions in expenditures were primarily accomplished through reductions in the numbers of teachers and teachers' aides. The following table depicts actual school years 2010 through 2012 financial information for the unrestricted operating funds (General Fund and Special Revenue Fund):

	School Year		
	2011-2012	2010-2011	2009-2010
Beginning Balance	\$ 7,107,231	6,102,149	5,372,536
Revenues	73,941,219	73,274,447	79,459,043
Less: Expenditures	71,290,694	71,469,721	77,716,696
Less: Net Transfers	167,151	799,644	1,012,734
Ending Balance	\$ 9,590,605	7,107,231	6,102,149
Ending Balance as			
Percentage of Disbursements	13.45%	9.94%	7.85%

Source: District's Annual Secretary to the Board Report (ASBR)

During school year 2012-2013, the district continued to make improvement in its overall financial condition. The district ASBR report shows revenues remained fairly steady, increasing to \$74.1 million, while expenditures decreased to \$68.6 million, resulting in an unrestricted fund balance of \$15.1 million at June 30, 2013. Reductions in the number of teachers and teachers' aides were again one of the reasons for the decrease in expenditures.

Enrollment has fluctuated, going from 6,445 students in school year 2009-2010 to 6,131 in school year 2010-2011 to 6,052 in school year 2011-2012, and then rising to 6,348 in school year 2012-2013. The ratio of students to classroom teachers has gone from 16 to 20 during this same period. While improvement in the financial condition of the district is underway, our audit identified numerous instances of inefficient spending and a general lack of regard for procurement/purchasing policies, or in some instances override of district policies by the elected Board members and administration. Ensuring district funds are spent in the most efficient and effective manner should be a top concern of the Board to avoid further reductions in teaching resources.

The district was downgraded to provisional accreditation in September 2012 for failing to meet the number of accreditation standards required for full accreditation. While improvement in the areas discussed in this report will not affect the accreditation status of district, it will likely make available valuable resources that can be used in addressing the district's educational



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deficiencies. These areas include questionable selection methods for some consulting contracts done in a less than transparent manner, lack of bids or proposals for many purchases, lack of accountability over capital assets, and inappropriate or unreasonable purchases and expenditures. The Board needs to take action to ensure policies, procedures, and records are in place to address the areas of concern included in this report.

While further reductions in expenditures may be necessary, some of these reductions can be accomplished through more efficient management practices and more effective controls and procedures.

Recommendation

The School Board closely monitor and take appropriate action to ensure the long-term stability of the district's financial condition.

Auditee's Response

The School Board provided the following written response:

The district accepts the State Auditor's findings. The Board will closely monitor the financial condition of the district. Prior to the receipt of the audit report, the current Superintendent and Board enacted processes to prevent the cited instances of questionable conduct from continuing to occur. The specific measures undertaken are discussed in more detail as responses to specific concerns cited later in this audit.

2. Superintendent Search Process

The district's former Superintendent, Dr. Marjorie Williams, retired in June 2012 and the process followed by the Board to select a new superintendent was not conducted in a public manner, did not adhere to established Board policies or state laws, and was likely more costly than necessary.

Some Board actions taken during school year 2012-2013 regarding this transition and the review of the former Superintendent's leave balance, were not conducted in public or with the full knowledge of all Board members. The State Auditor's office was forced to issue a subpoena to obtain many of the documents discussed in this finding and Management Advisory Report (MAR) finding number 3, some of which should have been approved or disclosed publicly. In addition, we deposed former Board President Anderson in October 2012 to answer questions under oath regarding the matters discussed in sections 2.1 and 2.2 and MAR finding number 3.

As early as March 2011, the meeting minutes document Board discussion of former Superintendent Dr. Marjorie Williams' intent to retire as of June 30, 2012. A succession plan was orally presented by the former Superintendent to the Board in August 2011. This plan called for the promotion of Dr. Everlyn Williams to Deputy Superintendent in September 2011, and her to become the Interim Superintendent in July 2012. The minutes of the August 2011 meeting indicate there was some discussion at this meeting about performing a superintendent search at that time, but ultimately the Board approved the succession plan presented and delayed the search process. The



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former Superintendent submitted her official resignation to the Board in December 2011. Deputy Superintendent Dr. Everlyn Williams took over as Interim Superintendent in July 2012. However, just 4 months later in October 2012 the Board, without any documented open or closed meeting discussions regarding the Interim Superintendent's performance, took action to hire Acting Superintendent Barbara Tate (see MAR finding number 4.1). Former interim Superintendent Dr. Everlyn Williams was reassigned in October 2012 within the district to other duties, which remained unspecified as of December 2012, and without a change in salary (\$150,000) or title. She was assigned to a district elementary school to assist the principal, whose salary was approximately 60 percent of her salary. It is unclear how this action benefited the school or the principal since Dr. Williams' official duties were never documented.

The current Superintendent, Dennis L. Carpenter, Ed.D., who was identified by a search firm, officially started on July 1, 2013.

The manner in which the Board went about replacing the former superintendent lacked clear direction and was not well planned. The decision-making process and the availability of information and documents were less than transparent and casts doubt on the integrity of the search process.

2.1 Superintendent search

The district did not solicit proposals for superintendent search services. In addition, the fee arrangement with the selected search firm was significantly higher than it would have been had the Missouri School Board Association (MSBA) been used to conduct the superintendent search.

While the district knew in March 2011 the former Superintendent was retiring, no public discussion of finding a permanent replacement for the superintendent was held by the Board until July 2012. At its July 26, 2012, closed meeting, the minutes indicate the Board voted to suspend its rules and immediately voted to approve a contract with Gallagher Benefit Services, Inc. (Gallagher) for superintendent search services. At the previous Board meeting, held on July 19, 2012, former Interim Superintendent Dr. Everlyn Williams distributed information to the Board on the superintendent search services offered through the MSBA. It is unclear why the Board took no action to solicit a proposal from the MSBA or even contact the association about these services. In sworn testimony, former Board President Anderson stated Gallagher was recommended to him, he determined the firm performed search services, and no other proposals were sought regarding these services.

Considering the length of time the district had to prepare for the search process, suspending rules for procuring professional services and not acting on the Interim Superintendent's suggestion of contacting the MSBA to seek



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a proposal points to poor decision making and appears unjustified. A thoughtful, well-documented process, obtained at a reasonable cost, is important to ensure quality candidates are identified and taxpayer dollars are spent wisely.

2.2 Conflict of interest and search fee

Gallagher, the search firm which performed the superintendent search for the district, was involved in the contract negotiations with the new superintendent. Allowing the search firm to be involved in contract negotiations gives the appearance of a conflict of interest, as the firm's fee was contingent on the starting salary. In addition, the amount actually paid to Gallagher exceeded the contractual fee and was significantly higher than the MSBA's estimated fee to perform the superintendent search.

The contract with Gallagher, which was among the documents subpoenaed by our office, called for a fee of 20 percent of the successful candidate's first year compensation. A Gallagher representative was allowed to participate in the contract negotiations discussed at the November 20, 2012, closed meeting of the Board. Discussion at this Board meeting included salary amounts, which would appear to be a conflict since Gallagher's fee would later be based on the negotiated starting salary. In addition, we discussed the selection of and fee structure for the Gallagher contract with several Board members in April 2013 and most of those members we spoke with recalled both the Gallagher proposal and a firm representative stating a set fee of \$30,000. They indicated they were not allowed to keep a copy of the proposal from Gallagher and had not seen the contract with this firm (see MAR finding number 4.2). The compensation for the new Superintendent is \$180,000, which based on contract terms should have resulted in a fee of \$36,000. However, the actual amount paid to Gallagher was \$36,490 (see MAR finding number 4.2).

We contacted the MSBA to determine its fee structure for superintendent search services. A MSBA representative told us the charge would have been a fee of 8 percent of the first year compensation (\$14,400 in this situation) plus a maximum of \$1,500 in expenses. The representative also stated MSBA searches typically identify at least 15 to 20 qualified candidates for a district this size. One Board member, who served on the committee reviewing applications submitted to the district, told us in his opinion only 2 of 9 applicants were actually qualified for the position.

Having a contingency contract and allowing the contractor to be involved in the negotiation of salary, upon which the fee is based, appears to be a conflict of interest. In addition, approving a contract where the terms and compensation are not clear to all Board members can result in misunderstandings and potentially lead to the district paying more for services than was anticipated.



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Recommendations

The School Board:

- 2.1 Ensure Board policy is followed in procuring professional services and Board decisions and votes on contracts are appropriately publicly disclosed.
- 2.2 Ensure vendors paid through contingency contracts are not involved in associated contract negotiations.

Auditee's Response

The School Board provided the following written responses:

- 2.1 *The District accepts the State Auditor's findings. While deficiencies were noted in past conduct, the District has a renewed focus on accountability. The current Superintendent has implemented procedures to ensure that contracts for professional services are publicly bid. Additionally, the current Superintendent added a monthly Work Session to discuss contract issues and other related items that were previously included under the Consent agenda and consequently not discussed.*

Most recently, Requests for Proposals for legal services and architectural services were published, publicly discussed and approved at properly noticed public meetings.

- 2.2 *The District accepts the State Auditor's findings. Prior to receiving this audit, the District began working with MSBA to review and revise its policies. By June 2014, the District will adopt modified MSBA policies. The District will include a policy that prohibits contingency contracts with vendors.*

3. Superintendent's Leave Usage and Payout

The former Superintendent, Dr. Marjorie Williams, accumulated a significant amount of accrued leave (vacation and sick) that she was to be paid for upon retirement per her employment contract. In December 2011 she provided written notice to the Board of her intent to retire on June 30, 2012, and indicated she would be requesting a payout of her accrued leave upon retirement. The district hired an audit firm to review the leave balances of the former Superintendent and a law firm to handle the legal aspects of this matter. The actions taken by the Board related to this payout request were not transparent and were often not done in accordance with district policies or state laws. Our review of these actions revealed the following concerns.



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3.1 Audit of former
Superintendent Dr.
Marjorie Williams' leave
balance

Proposals were not taken to select a firm to conduct a human resource audit of the former Superintendent Dr. Marjorie Williams' leave balances. In addition, upon completion of the audit, the final report was not issued publicly and, in fact, was not provided to the full Board. Former Board President Anderson received the audit from People Wise of Missouri, Inc., (People Wise), a human resource management firm hired to do the audit, and did not provide it to the other members of the Board.

At the closed Board meeting on May 17, 2012, a request was made to the district's general counsel to provide information regarding the superintendent's accumulated leave balances at the next Board meeting in June 2012. The minutes indicate the board then voted to suspend its rules to allow approval of a contract with People Wise to audit the leave balances of the former Superintendent. No reason was given for suspending the bidding rules, although the amount paid exceeded the threshold established by Board policy when solicitation of bids or proposals would be required. In addition, the contract was not disclosed in any subsequent Board meeting and had to be subpoenaed by our office (see MAR finding number 4 for further discussion of this contract).

The audit report issued by this firm was dated June 25, 2012, but was not presented to the Board. The results of the audit indicated that all uses of leave by the former Superintendent were not reflected in the district's leave records and various audit adjustments were made. The audit concluded the adjusted records equated to an accrued payout of approximately \$150,000 and recommended the district negotiate a settlement and address deficiencies in its leave record keeping procedures. The cost of the audit was approximately \$5,200.

Section 610.021(17), RSMo, states all final audit reports are to be considered open records. Board policy 1075 requires bids or proposals for all goods or services in excess of \$5,000. In addition, Board policy 1230 indicates no one Board member has the authority to act on his/her own in making decisions for the Board.

3.2 Superintendent leave
payout

Proposals were not solicited for legal services related to the leave payout of former Superintendent Dr. Marjorie Williams. In addition, there was no contract or engagement letter detailing the scope and cost of the services (see MAR finding number 4.2). Former Board President Anderson was authorized at the June 12, 2012, Board meeting, in closed session, to work with the district's legal counsel to select an attorney to review the requested leave payout. A law firm, Holman Schiavone, LLC, was identified and selected by the former Board President to provide legal services for matters involving the former Superintendent, but there is no documentation this action was voted on and approved by the Board.



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In the closed Board meeting held on June 26, 2012, an attorney from this firm presented her findings and opinion regarding the leave payout and orally recommended paying the former Superintendent approximately \$72,000. This amount is significantly lower than the amount due according to district records, approximately \$195,000, and the approximately \$150,000 leave payout determined by the audit. Board members received no documentation supporting this recommended payout. Board members we interviewed indicated the attorney made reference to reviewing the leave audit report in her presentation, but they were not provided a copy of it. The Board approved paying approximately \$72,000 to the former Superintendent for her accrued leave in this closed meeting on the oral advice of the attorney, apparently without knowing the leave audit reported significantly different conclusions.

We requested the district provide us the documentation prepared by the attorney to support the payout, but we were originally denied access to it. We issued a subpoena to the district for this documentation and received the document the attorney prepared. A comparison of the calculations made by the attorney and calculations in the leave audit report identified a mathematical error regarding the leave balance. This error carried forward to the attorney's documentation of the payout amount. While this error only overstated the accrual by one day, or approximately \$700 (one day's pay for the former Superintendent), it may have been identified had the Board been provided the documents in question prior to approving the payout.

The district paid Holman Schiavone, LLC \$16,770 for its work on this matter. Dr. Marjorie Williams filed a lawsuit against the district in May 2013 and the matter was turned over to the district's insurance carrier to handle all legal aspects of the lawsuit. A settlement was reached between Dr. Marjorie Williams and the district in November 2013. The settlement terms called for the district to make 3 payments totaling \$90,000 to Dr. Marjorie Williams or her representatives. These payments are in addition to the approximately \$72,000 previously paid to her. Considering the amount spent for the attorney and leave audit, the total amount expended by the district to settle this matter was approximately \$184,000. In addition to the settlement payments made to Dr. Marjorie Williams, the district also paid its share of the payroll taxes and benefits on the gross settlement amounts. Had the results of the leave audit been shared with the Board and the recommendation to pursue a settlement been followed, the district may have been able to settle this matter for less money and without incurring additional legal costs.

3.3 Leave monitoring

The Board did not monitor former Superintendent Dr. Marjorie Williams' absences, approve leave requests, or monitor vacation and sick leave used by the former Superintendent. The contracts between the former Superintendent and the district allowed her to accumulate a significant



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amount of leave days. District records show the former Superintendent used only 3 days of vacation leave during her last 7 years of employment. Several Board members indicated they believe this number of days was inaccurate based on their knowledge of her absences. Failing to require anyone to approve or monitor the former Superintendent's leave balances resulted in the district not knowing the accuracy of the balances. Had district personnel or the Board been actively monitoring leave usage and balances, this issue could likely have been settled without expending additional taxpayer dollars for an audit and without litigation.

Recommendations

The School Board:

- 3.1 Ensure all district documents are made available to the full Board and release the final audit of the former superintendent's leave balance as required by state law.
- 3.2 Ensure proposals are sought for legal services in the future and approval of contracts for services are clearly documented.
- 3.3 Develop procedures to ensure leave usage and balances of the superintendent are monitored.

Auditee's Response

The School Board provided the following written responses:

- 3.1 *The District accepts the State Auditor's findings. By June 2014, the Board will adopt a policy to ensure that all public documents are available for review by Board members. Further, the District will make public the audit of leave days conducted by People Wise of Missouri, Inc.*
- 3.2 *The District accepts the State Auditor's findings. In September 2013, the District published a Request for Proposal for Legal Services. In October 2013, the District selected legal counsel and entered into a three-year contract for legal services. The contract sets forth the duties and responsibilities of legal counsel as well as the rates for said services.*
- 3.3 *The District accepts the State Auditor's findings. The District has implemented a procedure for the Superintendent to submit leave requests to the Board President for approval. By contract, the Superintendent will use vacation in the year accrued or be paid for accrued days at the end of the year.*



4. Board Oversight and Contract Payments

Board members have not provided adequate oversight to ensure established controls are in place and followed. Deviations from normal procedures were allowed and controls were circumvented by certain members of the board.

4.1 Board decisions

We identified instances where decisions were made on behalf of the Board by less than a majority of the members, which overrides Board policy. Some decisions were made by a single member of the Board, or based on discussions between multiple Board members, but not a quorum. The following instances were noted where decisions were either made by less than a quorum, or if made by a quorum, there is no supporting documentation:

- The minutes of the closed session on May 17, 2012, indicate a contract with People Wise was approved on that date; however, an invoice indicates the firm charged the district 1.5 hours for work on May 15, 2012, two days prior to the meeting and contract approval. There is no documented discussion of this topic in any previous meeting, and during sworn testimony the former Board President stated he acted on his own in identifying this audit firm. This leaves us to conclude the work was authorized to start prior to obtaining Board approval.
- During discussions with several Board members, we learned they were unaware former Board President Anderson was planning to propose reassigning Interim Superintendent Dr. Evelyn Williams and hire an Acting Superintendent at the October 15, 2012, closed session of the Board. A review of the minutes shows no discussion on this topic was held in the months prior to this action. It is unclear who on the board contacted the former Acting Superintendent to gauge her interest in the job, but this matter was placed on the agenda of that meeting by the former Board President.
- A letter dated July 16, 2012, was sent to the district's health insurance company informing it the district was changing its insurance broker, even though this action was not approved by the Board until a July 19, 2012, public meeting. Committee minutes noted discussion among the finance committee members regarding making a change, but the change in broker appears to have occurred before being approved by the Board.
- A payment of \$250 was made in October 2012 to the Alpha Kappa Alpha debutante ball fundraiser for a one page ad in its brochure advertising the event. This payment was made on behalf of the former Board Secretary's daughter, who was not a student in the district. This request was identified as questionable by district administrative staff and was not originally paid when requested. District staff stated to us



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they were instructed by former Board President Anderson to prepare the check and have it ready to be picked up by him. Several Board members we interviewed indicated they were unaware this payment was made. This payment is an improper use of district funds and should not have been paid.

Allowing less than a majority of the Board to make decision undermines the authority of the Board and violates district policy. Board policy 1230 states the Board shall act as a committee-of-the-whole and no individual members or group comprised of less than the full membership shall exercise the powers of the full Board. In addition, Board policy 1050 states no contract shall be let, teacher employed, bill approved, or warrant ordered unless a majority of the whole board shall vote therefore.

4.2 Contracts and payments

Controls requiring district personnel to compare documentation supporting disbursements to a written contract were overridden by former Board President Anderson, resulting in an overpayment to one vendor. Written contracts were not obtained with some vendors or were not provided to district personnel in some instances.

- The district does not possess a signed contract with People Wise, the firm hired to audit the leave records of former Superintendent Dr. Marjorie Williams (see MAR finding number 3.1). While the minutes of the closed meeting on May 17, 2012, indicate a contract was presented for review, we were informed, and later confirmed during discussions with several Board members, that former Board President Anderson was the only Board member who had seen or had a copy of the contract. We made repeated requests for this contract with district officials who informed us they did not have the contract for this service. Eventually, after attempting to get a copy of this contract for months, we were forced to issue a subpoena to obtain the contract from the former Board President. The copy provided to us is unsigned.
- The contract with Gallagher, the firm selected to perform the superintendent search (see MAR finding number 2.1), was not provided to district administrative officials. The contract called for a fee of \$36,000, or 20 percent of the first year compensation paid to the Superintendent, which was \$180,000. The contract states all expenses will be covered in the overall fee and there would be no additional costs. The district received and paid 5 invoices from Gallagher totaling \$36,490. The invoices also included reimbursement for expenses of \$1,958. Based on the allowable fee per the contract, the vendor was overpaid \$490. Four of these 5 invoices documented approval for payment by former Board President Anderson. The normal expenditure approval process does not involve Board members reviewing and signing off on invoices. Board members indicated to us they had



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concerns that the proposal they were provided to review when considering approval of this agreement included different terms than the actual contract possessed by the former Board President. One Board member was actually forced to make a Sunshine Law request to obtain the signed contract with this firm. Our office made repeated requests for this contract and eventually had to issue a subpoena before being provided a copy by the former Board President. Had this contract been provided to district personnel, the overpayment likely would have been identified.

- The Board, subsequent to the superintendent search contract, voted to hire Gallagher to audit the district's human resources personnel files, but again, no contract was provided to administrative personnel. In August 2012, Former Board President Anderson expressed concerns about the way the former Human Resources (HR) Director was handling personnel files and indicated to former Interim Superintendent Dr. Evelyn Williams his intent to have the former HR Director reassigned and hire Gallagher to audit the personnel files. The former Interim Superintendent provided us an email she sent to all board members prior to the August 23, 2012, closed meeting reminding them of bidding policies and that the state offered assistance in identifying firms with expertise in human resources matters. She stated to us she informed the Board members she was against reassignment of the HR Director, and stated an audit of HR was unnecessary, the selection of Gallagher was in conflict with board policy 1075, and was a potential conflict of interest. The Board subsequently voted to reassign the former HR Director to another school and approved hiring Gallagher. We had to subpoena the district to obtain a copy of this contract. The contract called for a payment of \$3,000 for the HR audit, but the district stated no invoice was ever presented for these services. The audit report was not provided to Board members or administrators for their review.
- The district paid the law firm selected to review the leave matters related to former Superintendent Dr. Marjorie Williams \$16,770 (see MAR finding number 3.2) without administrative personnel being provided a contract for these legal services. There is no documentation in the minutes to indicate hiring this firm was approved by the board. Former Board President Anderson reviewed and approved 5 of the 6 invoices submitted by this firm. The normal expenditure approval process does not involve Board members reviewing and approving individual invoices.

Section 432.070, RSMo, requires all contracts be in writing. Written agreements should clearly specify the services to be rendered and the amount of compensation to be paid. Such written contracts lessen the opportunity for misunderstandings between the parties involved. In addition,



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those contracts should be on hand for review by district personnel when invoices are submitted to be paid ensuring the district is receiving the services for which it is being billed.

Recommendations

The School Board:

- 4.1 Ensure decisions are not made by less than a majority of Board members and ensure all contracts are signed and in writing in accordance with state law.
- 4.2 Ensure written contracts exist for all services and are provided to district administrative officials.

Auditee's Response

The School Board provided the following written responses:

- 4.1 *The District accepts the State Auditor's findings. The District conducts all business in duly called and noticed meetings. All contracts are approved by a majority of Board members and are available to Board members, staff and the public for reference and review.*
- 4.2 *The District accepts the State Auditor's findings. The District recognizes that contracts provide a framework for services and allow the District and the public to understand the scope and nature of services provided to the District. RSMo §432.070 states that all contracts shall be in writing; however, the vendor bears the ultimate risk in not having a contract as that vendor may have no redress against the District.*

Prior to receiving this audit, the District began working with MSBA to review and revise its policies. By June 2014, the District will adopt modified MSBA policies. The District will include a policy that will require written contracts for professional services and will ensure that all written contracts are available to Board members, staff and the public for reference and review.

5. Sunshine Law

The district did not always comply with the Sunshine Law and held numerous improper closed meetings.

5.1 Closed meetings

The Board held 28 closed meetings from July 2011 through December 2012, but did not always follow various requirements in Chapter 610, RSMo (the Sunshine Law).

- The Board did not provide evidence that notice was provided to the public of the time, date, place, and specific reason for the closed meeting regarding any of the 28 closed meetings as required by state



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law. Agendas for these closed meetings were either not available publicly or did not disclose the specific reason for the closed meeting.

- The Board discussed some topics in closed meetings that are not allowable under the Sunshine Law. According to minutes of closed meetings, unallowable topics included the information technology (IT) director discussing the need for additional network storage, budget issues and amendments, and the need to improve Missouri Assessment Program (MAP) scores.
- The Board voted on and approved several contracts in closed session and did not subsequently disclose those votes in an open meeting. In several instances, such as the Superintendent search contract and the Superintendent leave records audit contract; the approved contracts were not treated as public records and were handled by former Board President Anderson as closed records. As a result, there are various contracts the district is a party to that the public has no knowledge of.
- The district did not notify former Interim Superintendent Dr. Evelyn Williams she was being reassigned in October 2012 before notifying the public of this decision.

To ensure compliance with state law, the Board should give advance notice of its closed meetings and the specific reason for the closure, restrict discussion in closed meetings to the allowable topics listed in the Sunshine Law, disclose in open session the approval of all contracts, and ensure employees are properly notified of personnel actions taken against them.

5.2 Public disclosure

The Board does not always make public the final disposition of legal matters discussed in closed meetings. Three lawsuits were approved for settlement by the district during school year 2011-2012. The district's financial responsibility in these settlements was \$205,000. The final resolutions were not publicly disclosed as required by law.

Section 610.021(1), RSMo, requires any minutes, vote or settlement agreement relating to legal actions, causes of action or litigation involving the school district or any agent or entity representing its interests or acting on its behalf or with its authority, including any insurance company acting on behalf of the district as its insured, shall be made public upon final disposition of the matter voted upon or upon the signing by the parties of the settlement agreement, including the terms of the settlements.

5.3 Custodian of records and sunshine law requests

The district has not developed a policy regarding public access to district records and does not maintain a log of public requests for records. A formal policy regarding access to district records would establish guidelines for the district to make the records available to the public. This policy should establish a custodian of records, allowable methods for submitting a request



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for access to records, and a fee schedule for document retrieval and research. Without a log of public requests, the district cannot ensure or document all requests are handled in compliance with the Sunshine Law. In addition, the district did not maintain the minutes of board and committee meetings in an orderly manner. Minutes of meetings were not always readily available upon request. For example, some minutes we requested in June 2012 were not provided by the former Board Secretary until December 2012.

Section 610.023, RSMo, lists requirements of making district records available to the public and provides each request for access to public records shall be acted upon as soon as possible, but in no event later than the end of the third business day following the date the request was received by the custodian of records of a public governmental body. To ensure compliance with state law, the district should document adequate information in a log to determine if requests are completed timely and all requests are adequately filled. Necessary information includes, but is not limited to, the date of request, a brief description of the request, the date the request is completed or reason why the request cannot be completed, and any associated costs of filling the request.

Recommendations

The School Board:

- 5.1 Ensure notice and the specific reasons for a closed meeting is given to the public, items discussed in closed meetings are allowable topics under state law, all votes to approve contracts are announced publicly, and the guidelines for notifying personnel of decisions made in closed session are followed.
- 5.2 Ensure the final disposition of legal matters discussed at closed meetings is made public as required by state law.
- 5.3 Establish written policies and procedures regarding public access to district records, maintain a public request log, and maintain minutes of all meetings in an orderly manner so they are readily available when requested.

Auditee's Response

The School Board provided the following written responses:

- 5.1 *The District accepts the State Auditor's finding. The District uses Electronic School Board (ESB) that does not allow the posting of a closed agenda without disclosure of the full agenda and attached items. Because of that, ESB does not contain the District's public notice of closed meetings. The District posts agendas of closed meetings in its lobby consistent with State law. It is the only notice required by State law. The copies of agendas for the period in*



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question were not kept by the former Board Secretary and consequently weren't available to provide to the State Auditor.

The minutes reflect that some items were discussed in closed session that were not allowed by the Sunshine Law; however, no action was taken on any such item and these items were related to items properly on the closed meeting agenda. The District will ensure that discussions during future closed meetings relate only to items properly on the agenda.

The District did not notify Dr. Everlyn Williams of her change of assignment prior to former Board President Anderson announcing the decision at an open Board meeting immediately following the decision. Under the current Superintendent employees will be informed of personnel actions within 72-hours of the action and prior to public disclosure of the personnel action in accordance with State law.

In response to a complaint investigated by the Missouri Attorney General's office regarding Sunshine Law violations from a meeting led by former Board President Anderson in April 2013 to terminate legal counsel, the District received training on requirements of the Missouri Sunshine Law. Recommendations were implemented to ensure that the District currently complies with the Missouri Sunshine Law.

5.2 *The District accepts the State Auditor's findings, but disputes the legal conclusion drawn from the District's conduct. The District does not publish a list of settled or resolved lawsuits, but treats the information as public and provides such information upon request. The District believes that its practice complies with the Sunshine Law requirement that such information shall be made public.*

5.3 *Prior to receiving this audit, the District began working with MSBA to review and revise its policies. By June 2014, the District will adopt modified MSBA policies. The District will adopt a policy that designates the Board Secretary as the Custodian of Records and requires a log of all Sunshine Law requests. Currently, all Sunshine Law requests received by persons other than the Board Secretary are treated as received by the appropriate records custodian.*

The current Superintendent has directed the Board Secretary to keep a log of all Sunshine Law requests that includes a copy of the response.



Auditor's Comment

5.2 The meaning of the phrase "shall be made public" in Section 610.021(1) RSMo, is not defined in Missouri case law or through an Attorney General's opinion. However, employing the normal rules of statutory construction of giving words their plain and ordinary meaning, the phrase "shall be made public upon final disposition" is in active voice requiring a more affirmative action rather than just a passive response of making settlement agreements available only upon a request. Our interpretation of the meaning of the phrase "shall be made public upon final disposition" as it relates to settlement agreements leads us to conclude some action is required by the district to meet this requirement. Had the legislature's intent been for the final disposition of legal settlements to only be made available to the public upon request, we believe the language would convey that, since other sections of Chapter 610 use similar language in referencing disclosure of matters discussed and voted on in closed meetings. The district is using taxpayer money to settle lawsuits and should err on the side of full disclosure once all parties agree to a settlement and it is finalized.

6. Capital Assets

District personnel have not implemented adequate procedures to ensure property records are complete and accurate, and provide a basis for determining proper insurance coverage and accountability.

6.1 Records and procedures

The district's capital asset listing is inaccurate, is not always updated timely when purchases are made, and does not include some important information. In addition, an annual physical inventory of district assets has not been performed since at least 2006. As a result, district assets are more susceptible to theft or misuse. The capital asset listing as of September 30, 2012, included over 16,000 property items, which are located at the various schools and buildings within the district. It is unclear the total value of district capital assets because the listing does not include information on cost or market value of assets. During school year 2011-2012, the district purchased approximately \$2 million in capital assets.

Of 60 items selected from the listing, only 24 items were present at the location the asset listing indicated. District personnel followed up on the remaining 36 items and located 14 of those items in different locations. Twenty-two items were not found, 3 of which were laptop computers. Based on our work documented in section 6.2, we determined iPads are not added to the capital assets records when purchased.

District administrative procedure 2012 details procedures for inventorying, disposing, and tracking asset transfers/movements. Board policy 2055 requires departments/schools to notify the administrative office when capital assets are disposed of so a listing can be presented before the Board for approval. Administrative directive 4000 (inventory instructions) states that



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district building contents are to be updated annually and that the administrator in charge of each site will keep the purchasing agent informed of all building content changes in location. This directive does not indicate how the agent is to be notified and does not refer to any specific property movement forms.

Adequate capital asset records are necessary to secure better internal control over district property and provide a basis for determining proper insurance coverage on district property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as acquisition cost, descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets. All capital assets should be identified with a tag or other similar device, and the district should conduct annual physical inventories and compare the results to detailed records.

6.2 iPads

The district does not enforce its policy regarding the ordering of electronic equipment for the district. Administrative directive 9000 states to ensure compatibility, timely installation, training, and support, all orders for computer systems/software will be processed through the information technology (IT) department. Due to the lack of inventory procedures, discussed in section 6.1, and failure to ensure all electronic equipment is ordered through the IT department and added to the capital asset records, the district cannot account for all iPads purchased and assigned to district personnel.

As of September 30, 2012, asset records indicated the district owned 79 iPads and had an additional 25 iPads on loan from another school district as part of the Science Matters program. Based on discussions with personnel in the IT department, who expressed concerns that all electronic devices were not being ordered through their department, we requested the district provide an updated listing of iPads. District personnel then went through purchasing records and determined the district owned 139 iPads and had 47 on loan at that time. Based on this information, the initial district asset records only accounted for approximately half of the purchased and borrowed iPads. An additional 10 iPads were identified as being purchased by the district in October and November 2012.

We performed an inventory test of all iPads purchased by and on loan to the district as of November 30, 2012, which totaled 149 iPads purchased and 47 loaned iPads. Each school in the district was contacted and requested to make all district owned or borrowed iPads available for our review. After visiting all schools, some several times, we were able to locate only 83 of the 149 iPads purchased by the district (leaving 66 unaccounted for) and 25 of the 47 iPads on loan for the Science Matters program (leaving 22



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unaccounted for). We were told at many schools that teachers did not have their iPads with them when we visited, even though we made multiple visits to some schools and notified the schools of our plans to locate the various iPads.

We provided a list of the unaccounted for iPads to district personnel for further follow up, and after several weeks district personnel were able to locate 58 of the 66 unaccounted for district owned iPads and all 22 of the borrowed iPads. Personnel indicated they believed at least 2 of the 8 missing iPads were stolen, but had no documentation to support this claim, such as a police report.

Other concerns identified during our test included:

- One employee informed us her iPad, purchased by the district, was her personal iPad and was given to her by the district in lieu of a monetary stipend for serving on a development committee. We followed up with district administrative personnel who indicated the district had originally planned to give the committee members iPads in lieu of compensation, but the stipends were instead paid and the iPads were district owned. Apparently there was a miscommunication in informing this teacher about the change in plans.
- Several iPad accessories, such as external keyboards and mice were purchased on procurement cards (P cards) without knowledge of the IT Department. We noted during our site visits some of these accessories were not being utilized and in fact some were still in their original packaging and had not been opened. If all accessories were purchased and distributed through the IT department, ensuring staff have the accessories necessary for their jobs would be more efficient and less wasteful.
- Many iPads did not have a district tag identifying them as district property.

Similar tests were not performed for other types of electronic equipment purchased by the district. Based on the poor results of our iPad accountability test work, the district needs to consider whether similar problems exist with accountability of other types of electronic equipment.

To reduce the risk of loss, misuse, or theft of district property, the district should complete an inventory of all assets, update capital assets records timely, tag all assets as district property, and ensure compliance with district policy regarding centralized purchasing of electronic equipment.



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Recommendations

The School Board:

- 6.1 Ensure complete and detailed capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records. In addition, follow established policies and procedure when capital asset items are disposed of or moved to a different location.
- 6.2 Enforce district policy over how electronic devices and accessories in the district are purchased and ensure all those devices have a district tag attached. In addition, the administration should evaluate needs when determining who will be issued electronic devices, including iPads.

Auditee's Response

The School Board provided the following written response:

In March 2014, the District will ask the Board to approve a new inventory management system that will allow the District to create an inventory and track capital asset location and perform physical inventories to compare to the database in the inventory management system. The District will tag and identify all capital assets. The Superintendent will ensure district policy is followed regarding the purchase of electronic devices and will evaluate the issuance of devices in the future.

7. Procurement Cards

Controls over district P cards need improvement. The district had 44 P cards in use during school year 2011-2012. Approximately \$328,000 was spent on P cards during this period. P cards are primarily assigned to board members, administrators, principals, and department heads. We reviewed P card purchases for 21 employees during school year 2011-2012, which included 945 transactions totaling over \$132,000. District administrative procedure 2010 sets forth district policies for use of P cards. Several concerns were identified during our review.

7.1 Approval

Approval of purchase orders detailing P card purchases is not done in accordance with administrative procedure. The Associate Superintendent of Business is required by administrative procedure 2010 to approve all purchase orders prepared for P card purchases, except for purchase orders for purchases on his card, which are to be reviewed by the Superintendent. He was not always documenting a review of the purchase orders and supporting documentation for P card purchases.

Failure to follow district policy in the review and approval process for P cards has allowed some unnecessary and unreasonable charges to be paid with district funds.



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7.2 Purchases

We identified numerous purchases that either are not allowed under district administrative procedures or appear unreasonable and do not appear to benefit the school district.

- District personnel used P cards to purchase numerous items specifically prohibited by administrative procedure 2010. These purchases included airline tickets (\$7,870), car rentals (\$1,557) and numerous capital expenditures (computer equipment and digital camera - \$2,577), all of which are prohibited purchases with a P card.
- The former Superintendent had a recurring monthly charge for a data plan for her tablet computer, totaling \$350 during school year 2011-2012. Recurring charges are prohibited by administrative procedure.
- We identified three district employees who parked a total of 11 times in the circle parking garage at Kansas City International airport, at a cost of \$794, rather than the less expensive satellite parking lot, which is approximately half the cost of the garage.
- Flower and plant purchases totaling \$682, including twelve dozen roses for the former Superintendent's retirement party at a cost of \$180.
- A bath products purchase totaling \$80 for a gift on administrative assistant's day.
- Teacher birthday celebration purchases totaling \$403.
- Teacher appreciation dinners held by several principals totaling \$1,317.
- iPad accessory purchases for 7 individuals totaling \$901.

Enforcement of P card policies help prevent unnecessary or unreasonable charges. Public funds should be spent only on items which are necessary and beneficial to the district. District residents have placed a fiduciary trust in their public officials to spend district revenues in a prudent and necessary manner.

7.3 Incentives

The district has not developed policies regarding the use of student incentives and does not maintain documentation to support the distribution of student incentives purchased by teachers and school administrators. We identified approximately \$6,100 P card purchases for student incentives during school year 2011-2012. Student incentives included electronics such as digital cameras, karaoke machines, Kindle tablets, laptop computers, and printers. Students are given these incentives for academic and athletic achievements, but the district maintains no records identifying the students,



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the achievements met, the date of distribution, or evidence of receipt by the student.

Student incentives can be a valuable tool in improving attendance or other achievement standards set by the district. Adopting an overall district policy, including setting limits and procedures for issuing incentives, as well as documentation requirements for the distribution, will help ensure all gifts and awards are distributed equitably to students and used for the intended purposes.

Recommendations

The School Board:

- 7.1 Ensure policies and procedures are followed in regards to proper review of P card statements and supporting documentation.
- 7.2 Ensure prohibited purchases are not made on P cards and all purchases made on P cards are reasonable and prudent uses of public funds.
- 7.3 Develop a district-wide policy regarding the awarding of student incentives and ensure adequate documentation is maintained for the distribution of student incentives.

Auditee's Response

The School Board provided the following written responses:

- 7.1 *The District accepts the State Auditor's findings. At the direction of the current Superintendent, the District reduced the number of procurement cards from forty-four (44) to four (4) to ensure better oversight and control of use of procurement cards. One card is utilized in the office of the Superintendent. The second card is utilized in the Robotics program at Ruskin High School. This card is "pre-loaded" by the business office with designated funds before purchases can be made. The third card is utilized in the business office and is only used upon the approval of the Comptroller. The fourth card is utilized in the business office for grant-related expenditures. This card is kept in the business office under the authority of the Comptroller and is used only after approval by the Assistant Superintendent or Superintendent, depending upon the type of expenditure.*
- 7.2 *The District accepts the State Auditor's findings. At the direction of the current Superintendent, the District reduced the number of procurement cards from forty-four (44) to four (4) to ensure better oversight and control of use of procurement cards. This oversight and control includes establishing and enforcing spending limits on the four procurement cards retained by the District.*



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7.3 *The District accepts the State Auditor's findings. In response to a similar concern raised by the District's internal auditor, Westbrook and Co., P.C., the District instituted internal controls to verify that student incentives are actually received by the students. These controls include record keeping and reporting requirements confirming what incentives were purchased and to whom the incentives were given. Parents/guardians are required to sign a form acknowledging that the incentive was received by the student. The signed forms are kept in the business office.*

8. Staff and Board Meals

The district does not separately account for meals and food purchases for the Board prior to meetings, employee meetings, training sessions, retirement receptions, employee recognition events, or lunches at local restaurants. As a result, total actual disbursements for food and meals cannot be determined, and the district's ability to monitor such purchases is hampered. In addition, food purchases were often made without documenting the purpose or those in attendance, and the district does not have comprehensive policies regarding district provided food and meals.

Our test work on expenditures to local restaurants, catering businesses, or grocery stores indicated a significant amount of money is spent for food and meals paid for through the accounts payable process. We reviewed 16 expenditures, totaling \$10,700, for catered meals for staff or board meetings and retreats or other staff functions during school year 2011-2012. For example, in August 2011, the district spent \$3,330 on breakfast and lunch for a 3 day staff retreat and \$788 in June 2012 for a building and grounds staff meeting luncheon. Two of the 16 expenditures (\$202) tested were for meals preceding Board meetings. The same vendor provided these services. Further review of food purchases from this vendor identified approximately \$2,300 in additional expenditures for Board meeting related meals during school year 2011-2012.

We also identified a significant amount of food purchases from local grocery stores or local restaurants on P cards during school year 2011-2012. During our review of the 21 administrators' P card purchases (see MAR finding number 7.2), we found approximately \$10,400 was for food or snacks for teachers or staff. These purchases included catered meals, pizza, sandwiches, bagels, donuts, etc., which appeared to be for groups of teachers or staff at various schools. Since we did not review all P card purchases, there could have been additional amounts spent for food.

To effectively monitor meals and food purchases, the district should implement an effective and accurate tracking system. Adequate documentation of food purchases including a list of attendees and/or general information stating who was served should be provided to substantiate food costs and these costs should be tracked by the district. In addition, the



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district should develop comprehensive policies regarding food purchases in an effort to control and reduce these expenditures.

Recommendation

The School Board develop comprehensive policies regarding district-provided food purchases. These policies should establish specific guidelines regarding proper and allowable disbursements in this area along with documentation requirements for these expenditures.

Auditee's Response

The School Board provided the following written response:

The District accepts the State Auditor's findings. For the 2014-15 school year, the District will identify approved vendors from whom food/meals may be purchased. By establishing approved vendors, the administration will be better able to track and account for food/meal purchases.

As part of its policy review, the District will attempt to develop guidelines for when and how food/meals are provided for in-district meetings including but not limited to Board meetings, staff development and training.

9. Employee Attendance

The district needs to improve its enforcement of leave policies and monitoring of leave usage. According to district leave records, as of June 30, 2012, the district had an accrued leave liability of approximately \$1.2 million for accrued sick/personal days and vacation for certain employees.

We reviewed sick/personal, vacation, and professional leave usage for all 984 staff members during school year 2011-2012, and identified the following violations of Board policy:

- Twenty five teachers used more than 10 professional days during the school year. Two teachers used more than 20 professional days, with one using 24.5 days. The district hires a substitute to work on days regular personnel are absent from the classroom.

Board policy 3136 states no teacher will be absent for more than 10 days for professional leave during any school year.

- Twenty three staff members, 11 being teachers, used more than 20 days of leave during school year 2011-2012. None of these violations involved special circumstances, such as teachers covered under the Family Medical Leave Act (FMLA).

Board policy 3025 states employees will not utilize more than 20 cumulative leave days during a school year unless the absences qualify for coverage under FMLA.



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These violations of policy occurred because principals and/or other district administrative staff do not adequately monitor leave usage. The district explained that some violations of policies were necessitated to meet grant training requirements. However, our concern was that some district personnel were not aware of the policy limits, or the policies were simply disregarded.

Recommendation

The School Board ensure policies and procedures regarding employee attendance are followed or revised as necessary with supervisory review performed periodically to evaluate compliance.

Auditee's Response

The School Board provided the following written response:

The District accepts the State Auditor's findings. Prior to receiving this audit, the District began working with MSBA to review and revise its policies. By June 2014, the District will adopt modified MSBA policies. The District will review and update its policies and procedures regarding employee attendance as needed. Further, the District will include training for its administrators at its annual administrator training prior to the start of the 2014-15 school year.

10. Questionable Transactions

The district made various disbursements that did not have a clear school district or educational purpose; and in some cases there was no documentation to show that district personnel or students attended the event. In addition, the district may have improperly used federal Title I funds, which are restricted for improving the education of disadvantaged children, for some of these disbursements.

- The district purchased four tickets in April 2012 for the AdHoc Group Against Crime President's birthday party at a cost of \$720. The invoice indicated no district personnel attended the function.
- The district paid \$2,000 for a sponsorship for the 5th Annual Urban Summit - Youth Conference.
- The district paid \$250 in October 2012 to the Alpha Kappa Alpha debutante ball fundraiser for an advertisement in its brochure for the former Board Secretary's daughter (see MAR finding number 4.1).
- The Board purchased flowers and plants for employees at a cost of \$2,186
- The district paid for 50 parent registration fees for a charitable Restoration Walk/Run in May 2012 at a cost of \$1,000. These registration fees were allocated to the federal Title I program.



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- A sponsorship for the 2011 Kansas City Black Expo was purchased in September 2011 at a cost of \$7,500, of which \$5,000 was federal Title I funds. District personnel indicated the expenditure was for 2 booths at the Expo, at which Special Education tutors for the district were to recruit prospective students into their Special Education program. It is unclear why the district felt this Expo would be the most efficient way to identify students needing Title I services; however, a booth at the Expo only cost \$500. The district also purchased a sponsorship, which included: VIP passes, advertisement on all Expo materials; and multiple booth spaces. The district maintained no records of personnel/individuals who used the VIP passes to attend this event. In addition, the district did not have documentation of how many students were contacted at the Expo or its method for determining what portion of the cost should be allocated to the federal Title I program was determined.

The Title I program is designed to help disadvantaged children meet high academic standards by participating in either a school-wide or a targeted assistance program.

Article VI, Section 25 of the Missouri State Constitution prohibits the use of public money or property to benefit an individual, association, or corporation, except as provided by the Constitution. In addition to being prohibited by the Constitution, these types of expenditures do not appear to clearly benefit the school district.

Recommendation

The School Board refrain from expending district funds on items that do not clearly benefit the district. In addition, ensure Title I funding is used in the manner for which it is intended and documentation is maintained for those expenditures.

Auditee's Response

The School Board provided the following written response:

The District accepts the State Auditor's findings. The current Superintendent has instructed the Comptroller and business office staff on protocols to determine the appropriate expenditure of funds. Further, the current Superintendent and current Board President will monitor requests for payment to outside groups to ensure an educational component exists and that the expenditure is reasonable for the educational benefit received.

The District will continue its practice of sending flowers or a plant upon the death of a staff member or the immediate family of a staff member because it is the District's belief that such an action demonstrates concern for its team and general decency.



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11. Travel

During the fiscal year ending June 30, 2012, Board members and/or employees traveled to conferences in many out-of-state cities including: Alexandria, Virginia; Anaheim, California; Huntington Beach, California; Dana Point, California; Washington D.C.; Charlotte, North Carolina; Phoenix, Arizona; Knoxville, Tennessee; Salt Lake City, Utah; Orlando, Florida; New Orleans, Louisiana; Las Vegas, Nevada; Houston, Texas; and Boston, Massachusetts. In-state travel locations included: Lake of the Ozarks, Jefferson City, St. Louis, Sedalia, Columbia, Osage Beach, and Union.

As part of our testing, we reviewed travel expenses paid for 16 individuals (7 Board members, 1 secretary, 4 administrators, and 4 teachers) during the 2011-2012 school year.

11.1 Board travel

Travel costs for the Board more than doubled during the 2011-2012 school year from the previous year, primarily due to the increased attendance by Board members at the 2012 National School Board Association (NSBA) conference. District records indicate Board travel costs of approximately \$36,000, \$16,000, and \$13,000 during the 2011-2012, 2010-2011, and 2009-2010 school years, respectively. We had concerns regarding the NSBA conference trips in both 2013 and 2012.

In April 2012, all 7 members of the Board, along with the former Interim Superintendent Dr. Evelyn Williams and the former Board Secretary traveled to Boston for the NSBA annual 3-day conference. There were multiple sessions offered for individuals to attend each of the 3 days of the conference and it was up to each individual attending to determine the sessions attended. The cost to the district for that trip was approximately \$26,000, or almost \$3,000 per attendee. These costs included approximately \$1,500 spent for 3 rental cars for attendees to use while in Boston, even though the training sessions were held at the same hotel where the district representatives were staying.

We obtained the attendance data for each of the district representatives from the NSBA and noted the following:

- Former Board President Anderson only attended one session of training for less than one hour (56 minutes), which was not long enough to qualify for credit, during the 3-day conference. This session was on the morning of the first day of the conference.
- Board Member Mims only attended 2 sessions on the final conference day, for a total of 160 minutes of training.
- The former Board Secretary attended 5 sessions, completing 4, for 332 minutes of training. We also noted none of the courses she attended



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were specifically designed for duties generally performed by board secretaries. It is unclear why the former Board Secretary attended this conference.

- Board members Curls, Cushing, Brown, Lowe, and Osman, and former Interim Superintendent Everlyn Williams attended from 7 to 9 sessions, averaging 583 minutes of training.

Based upon these concerns related to the 2012 NSBA conference, we applied limited procedures to determine the participation by Board members at the April 2013 conference held in San Diego, California. The 3-day conference was attended by 4 Board members, at a cost of approximately \$2,000 per member. The 2013 NSBA conference attendance records showed the following:

- Former Board President Anderson attended 5 training sessions, although 2 of the sessions were at the same day and time. He attended one session for just 4 minutes and went to a different session. He completed 3 of the other 4 sessions, receiving just 181 minutes of training during the 3-day conference.
- Board members Curls, Osman, and Lowe, who also attended the conference, each attended 9 or 10 sessions, receiving an average of 710 minutes of training.

To incur significant costs to attend conferences and have certain Board members not use the opportunity to the fullest advantage possible does not seem reasonable and calls into question the necessity of attendance by some Board members.

11.2 Travel meals

Meals advances paid to district employees and Board members were not calculated correctly for some items we tested. The district typically prepays for meals at a per diem rate, which is established by Board policy, when employees and Board members travel. We reviewed various meal advances paid to certain district employees and Board members and identified numerous under and overpayments. There was a net overpayment of \$515 for the individuals we tested. For example, the Board members and former Board Secretary were each advanced \$225 for the NSBA conference in Boston in April 2012, although the advance allowable by policy was \$200 for each attendee. The majority of the incorrect advances involved Board members or Superintendents, who apparently were not completing their own travel request forms, but were instead relying on the former Board Secretary to complete them.

To ensure compliance with Board policy regarding meal costs advanced for travel trips, each district employee or Board member should complete



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his/her own travel per diem request form and the amounts should be checked for accuracy.

11.3 Former Superintendent's travel

Former Superintendent Dr. Marjorie Williams was out of the district offices 39 days for travel while attending conferences in various states during the school year 2011-2012. There is no limit set on the amount of travel a Superintendent can incur, but the travel incurred seems excessive considering she was retiring from the district on June 30, 2012. She attended training sessions or other conferences in Virginia, California (twice), Washington, D.C., Arizona, North Carolina, and Tennessee, as well as several events held in Missouri. Two of these out-of-state trips occurred during her last month of employment with the district.

District travel should be limited to necessary trainings or conferences to ensure district funds are spent wisely and teachers and administrators are making the best use of their time.

11.4 Former Board Secretary

The former Board Secretary attended both the NSBA training in Boston in April 2012 and the MSBA training held at the Lake of the Ozarks in September/October 2011. As indicated in section 11.1, the Board Secretary attended 5 training sessions in Boston, at a cost of approximately \$3,000, although all 5 were geared toward Board members, not administrative personnel. It is unclear how many sessions were attended at the MSBA training, but former Interim Superintendent Dr. Evelyn Williams indicated only a part of one day's training was pertinent to a Board Secretary and in past years the Board Secretary only attended the MSBA trainings for the sessions applicable to her work. She also indicated she was unaware of the Board Secretary ever attending the NSBA training in the past several years.

Having a district employee travel unnecessarily for training is neither a prudent use of district funds nor efficient use of employee time.

11.5 Car pooling

The district does not have a policy in place for employees traveling by car to the same destination on the same dates. The district could operate more economically by limiting the number of personal cars for which mileage will be paid. We noted multiple instances where Board members and administrators attended trainings and most, if not all, of the attendees drove their own car and were reimbursed for mileage. A few examples include:

- The district reimbursed mileage of \$177 each to 5 Board members, the former Interim Superintendent and the former Board Secretary when attending the MSBA conference at the Lake of the Ozarks in September and October 2011. Two Board members carpooled for this trip.
- The former Interim Superintendent and the former Associate Superintendent of Secondary Education traveled to the Lake of the



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Ozarks for the same conference in June 2012 and were each reimbursed \$177 for mileage.

- The former Superintendent and former Interim Superintendent traveled to Jefferson City for a legislative dinner in February 2012 and were each reimbursed \$162 for mileage.
- The former Superintendent, former Interim Superintendent, and the former Associate Superintendent of Secondary Education traveled to the same meeting in Columbia in July/August 2011 and were each reimbursed \$144 each for mileage.

To ensure districts funds are spent efficiently, the Board should evaluate the travel costs of attending educational conferences and consider requiring that employees carpool, if applicable.

Recommendations

The School Board:

- 11.1 Re-evaluate the amount of Board travel incurred and ensure Board members attending future trainings provide evidence of participation.
- 11.2 Ensure meal advances are calculated correctly and consider seeking reimbursement for overpayments.
- 11.3 Considering limiting and more closely monitoring the amount of travel allowed by the Superintendent.
- 11.4 Reconsider the amount of training required for the Board Secretary.
- 11.5 Adopt a policy for efficient travel by multiple district employees attending the same functions.

Auditee's Response

The School Board provided the following written responses:

- 11.1 *The District accepts the State Auditor's findings. The District believes that attendance at the NSBA conference is important to Board member education and to understand and develop strategies necessary to effectively educate children. The District believes that its membership in the Council of Urban Boards of Education ("CUBE") is important in establishing relationships with other member districts and will assist the Board in providing effective leadership of an urban district. The current Board President will develop a protocol for Board member attendees to report on the sessions attended and for publication of attendance data for Board members.*



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11.2 *The District accepts the State Auditor's findings. In the past, meal and mileage expenses were paid prior to attendance at the conference or seminar attended. The current Superintendent requires Board and staff members to seek reimbursement after attendance at a conference or seminar. Further, the attendees are required to submit agendas. If the agenda states that a meal is provided, the appropriate meal cost is deducted from the per diem. The current Board Secretary has been trained on this procedure and on the appropriate per diem amount. Also, each attendee is responsible for submitting his or her own request. The Board will consider whether the amounts in question are significant enough to warrant seeking reimbursement.*

The amount of the meal allowance mirrors state and federal guidelines for travel.

11.3 *The District accepts the State Auditor's findings. The current Superintendent recognizes the need to balance financial resources with the opportunity to participate in conferences and activities that will provide educational benefit to the District. The current Superintendent will submit to the Board President information on out-of-district and out-of-state conferences so that the amount of time and travel can be monitored by the Board.*

11.4 *The District accepts the State Auditor's findings. The current Superintendent and current Board President agree that it is not necessary for the Board Secretary to attend the NSBA conference; however, the MSBA conference has specific training for board secretaries. It is a one-day training and occurs prior to the start of the MSBA conference. The current Board President will monitor the Board Secretary's attendance at this conference to ensure that the Board Secretary attends only that portion of the conference necessary for appropriate training commensurate with her duties.*

11.5 *The District accepts the State Auditor's findings. Where possible, the District will ensure the most efficient use of travel by Board members and staff attending conferences and training; however, the District recognizes that many different factors go in to travel arrangements and it is not possible to adopt a single policy or procedure to effectively govern the travel of multiple attendees at the same function.*

12. Purchases and Contracts

Bids or requests for proposals are not solicited for some major purchases and "550-Retiree" employment contracts are not monitored adequately. In addition, terms of bond sales are negotiated rather than bid.



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12.1 Bids and proposals

District personnel made several purchases of goods or services without utilizing a bid or request for proposal (RFP) process in violation of district policy. The district bidding policy states competitive bids shall be sought in the purchase of supplies, goods, or services exceeding \$5,000. The district did not competitively bid or solicit proposals for the following purchases made during school year 2011-2012:

Item	Amount
Transportation services - taxis for students	\$776,758
After school activity program	207,915
Family resources specialist	290,000
Computers	264,565
Library books - Smith Hale Middle School	242,440
Leadership consulting services	157,000
Legal services	142,489
Star Academy program - reduce dropouts	59,534
Athletic trainer services	34,917
Professional development	24,488
iPads	23,980

In addition to being required by district policy, periodically soliciting proposals or bids for goods and services is a good business practice, helps provide a range of possible choices, and allows the district to make better informed decisions to ensure necessary goods or services are obtained from the best qualified provider, taking expertise, experience, and/or cost into consideration. To ensure the validity and propriety of procurements, sole source procurement documents should be completed in accordance with district procedures. Soliciting proposals and bidding helps ensure all parties are given an equal opportunity to participate in district business.

12.2 "550-Retiree" contracts

The terms of employment agreements with several employees retired under the Public School Retirement System of Missouri (PSRS) are not clearly defined and the hours worked by each is not monitored to ensure compliance with state law. For the 2011-2012 school year the district contracted with ten "550-Retiree" employees who received compensation totaling about \$276,000.

Per Section 169.560, RSMo, a teacher or school employee retired and currently receiving a retirement allowance may be employed in any capacity in a school district on either a part-time or temporary-substitute basis not to exceed a total of 550 hours in any one school year, and through such employment may earn up to 50 percent of the annual compensation payable under the employing district's salary schedule for the position or positions filled by the retiree, given such person's level of experience and education, without a discontinuance of the person's retirement allowance. The district



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typically pays 40 percent of the normal salary for the position filled by a "550-Retiree" employee.

None of these employees submitted documentation supporting the number of hours worked. In general, employees of the district who are exempt from the overtime requirements of the Fair Labor Standards Act are not required to prepare time sheets. However, because the "550-Retirees" employees are restricted to working 550 hours, it is necessary to document the hours worked and provide the district with a method to monitor the hours worked, regardless of position. These employees worked as counselors, speech therapists, and instructional coaches. In addition, the contracts do not clearly define work to be performed by these employees during the 550 hours. Each of the ten contracts reviewed indicate the individual will perform duties as assigned by the district and will be paid in equal installments.

The PSRS requires employers to track retiree hours and salary to ensure compliance with state law. The PSRS can request to review records and if limits are exceeded a person's retirement benefits can be put on hold. Contracts should be written to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings.

12.3 Bonds

The district used the same provider to serve as both financial advisor and bond underwriter for several general obligation bond issues, and sold these bonds using a negotiated sale rather than a competitive bid process, which violates district policy.

During fiscal years 2003 through 2012, the district sold four general refunding bond issues totaling approximately \$29 million and two general obligation bond issues totaling approximately \$35 million through negotiated sales in which the bond underwriter also served as a financial advisor to the district. Using the same provider to act in the dual capacity of underwriter and financial advisor for a bond issue creates an inherent conflict of interest. In addition, the district relied on the advice of the bond underwriter instead of seeking open bids to assure the most competitive rate of return for taxpayers. The district's bond underwriter, who also acted as the financial advisor received underwriter fees for the six bond issues totaling approximately \$460,000.

The lack of independent financial advice could result in the district not being adequately informed of bond issuance options or being unable to adequately evaluate bond proposals. The underwriter does not have a fiduciary responsibility to the district.

District policy 2030 requires all bonds issued in the district to be competitively bid. While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting bond underwriters and financial advisors, competitive sales would likely result in



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lower interest costs for the district, and competition in selecting bond underwriters and financial advisors is important to ensure services are obtained from the best qualified providers at a fair price.

Recommendations

The School Board:

- 12.1 Ensure district policy is followed by soliciting bids or requests for proposals for all services over \$5,000. Documentation of bids received and the bid process should be retained. If sole source procurement is necessary, the district should retain documentation of the circumstances.
- 12.2 Require "550-Retiree" employees submit supporting documentation of time worked to support compensation and more clearly define the duties of these employees.
- 12.3 Discontinue using an underwriter who also acts in a dual capacity as financial advisor and follow district policy to competitively bid interest rates for any future bond sales.

Auditee's Response

The School Board provided the following written responses:

- 12.1 *The District accepts the State Auditor's findings. Prior to receiving this audit, the District published RFPs for both Legal Services and Transportation Services – taxis for students. Contracts for these services were approved by the Board following the RFP process.*

The District believes that certain contracted services are not amenable to the bid process. As an example, professional development services were contracted for the current school year based upon the District's knowledge and experience with a provider. To seek bids or an RFP in this instance would have been a waste of taxpayer money and District staff time.

The District will document sole source procurement.

At times, the District has contacted vendors to seek the costs on goods and services so as to ensure that prices paid by the District are reasonable and customary. This more informal bid process ensures the timely purchase of goods and services while ensuring costs are within an acceptable norm.

The District will endeavor to seek bids and RFPs where appropriate in accordance with its policy and in accordance with state law.



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12.2 *The District accepts the State Auditor's finding. The District uses a standard contract for employing all certificated employees including 550-hour employees. The contract provides that the employees will perform duties as assigned by the District. This general description is used so that the District has flexibility in assigning staff. In the past, employees objected to changes of assignment based upon language in their contracts specifying their job duties.*

Prior to receiving this audit, the District changed its practice to pay all 550-hour employees by the hour as those hours are submitted to ensure that the employees do not work more than 550 hours in a school year. Further, the District now participates in the OASIS program through the Public School Retirement System that uploads the number of hours worked by 550-hour employees directly to the retirement system.

12.3 *The District accepts the State Auditor's findings. The District will seek bids for any future underwriting services and will consider separating the roles of financial advisor and underwriter.*

Prior to receiving this audit, the District began working with MSBA to review and revise its policies. By June 2014, the District will adopt modified MSBA policies. The District will consider adopting a policy that does not require bidding future bond sales, but leaves the option to conduct a negotiated sale if that is determined to be in the best interest of the District.

Auditor's Comment

12.1 Unless a sole source provider is utilized and this fact is clearly documented and the only option, a competitive procurement of services would not be a waste of taxpayer money.

12.3 Based on extensive work done by our office regarding this topic and most recently reported in our Report No. 2013-116, *General Obligation Bond Sales Practices*, issued in November 2013, it would not be in the best interest of the district to change its policy allowing negotiated sales.

13. MAP Testing

The district did not ensure all MAP testing administrators completed the training required by the Department of Elementary and Secondary Education (DESE) prior to administering tests in April 2012. We identified two special education teachers at the Junior High School who signed out MAP tests, but did not take the test examiners training prior to administering tests. District officials indicated they believed the Special Education department administered the training for teachers in that department.



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Pre-test training for all test examiners is required by the DESE quality assurance program to ensure the integrity of MAP testing in school districts in the state.

Recommendation

The School Board work with district administrators to ensure all MAP test administrators complete the training required by DESE.

Auditee's Response

The School Board provided the following written response:

The District accepts the State Auditor's findings. The current Superintendent will work with District administrators to ensure that all MAP test administrators complete training required by DESE.

14. Backup Data

Some backup data is not stored at a secure off-site location. While backup of all district data is performed daily, only the backup of financial data is stored at a secure offsite location. Backup of other data, such as student attendance records, student grades, and teachers attendance is stored in the same building as the original data. The effect of the loss of this type of data would be significant and detrimental to the district accomplishing its mission.

Failure to store computer backup data at a secure off-site location results in the backup data being susceptible to the same damage as the data on the computer. Preparation of backup data, preferably on a daily or at least weekly basis, periodic testing to ensure it is adequate, and off-site storage would provide increased assurance district data could be recreated if necessary.

Recommendation

The School Board work with district officials to ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.

Auditee's Response

The School Board provided the following written response:

The District accepts the State Auditor's findings. The District currently maintains two "off-site" back-ups from the main data storage at Baptiste Education Center. One off-site storage is with Net Standard, a company in Overland Park, Kansas. The second off-site storage is located at the District's Administration Center. Net Standard verifies the back-up nightly and reports any errors to the District's Information Technology department.

**15. Mileage and Fuel
Logs**

The district has not established effective monitoring procedures regarding fuel and vehicle use. Without effective procedures, fuel could be purchased by employees for non-district use and the district's vehicle fleet may not be used in an efficient and appropriate manner. The district maintains 31 vehicles for various district services including building and grounds, food



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service, technology, security, and the band. During school year 2011-2012, the district incurred fuel costs of approximately \$64,000.

Fuel purchases were charged at a local gas station per a district contract. Usage and fuel logs are not maintained for some district vehicles. Building and grounds and security personnel indicate mileage is recorded in a log weekly, but these logs do not indicate when fuel purchases are made and no comparison of miles driven to fuel used is made to ensure fuel purchases and vehicle usage are reasonable. No fuel or usage logs are maintained for vehicles in the other departments. In October 2012, the district began using credit cards assigned to each vehicle for fuel purchases.

Mileage and fuel logs are necessary to document the appropriate use of equipment and vehicles and to support fuel charges. The logs should include sufficient information to determine reasonableness of miles driven and allow reconciliations of fuel use to fuel purchases. Failure to document and monitor fuel use could result in loss, theft, or misuse going undetected.

Recommendation

The School Board require logs for all vehicles. These logs should be reviewed and reconciled to fuel purchases and any significant discrepancies investigated.

Auditee's Response

The School Board provided the following written response:

The District accepts the State Auditor's findings. The District purchased mileage and fuel tracking software that requires persons purchasing fuel to input the vehicle mileage at each fuel purchase. These logs are reviewed by the business office to ensure that fuel purchases are consistent with expectations. Any significant discrepancies will be investigated.

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The Hickman Mills School District is located in Jackson County approximately 10 miles southeast of downtown Kansas City and covers 56 square miles.

The district operates eight elementary schools (grades K-5), one middle school (grades 6-7), one junior high school (grades 8-9), one senior high school (grades 10-12), two residential special education schools (grades K-12), along with a comprehensive gifted program, an early childhood center, and an alternative school. Enrollment was 6,052 for the 2011-2012 school year. The district employed 931 full-time and 345 part-time employees at June 30, 2012.

The Hickman Mills School District has been classified under the Missouri School Improvement Program (MSIP) as "Provisionally Accredited" by the Missouri Department of Elementary and Secondary Education. A provisionally accredited district has not met enough of the MSIP standards and indicators to be fully accredited.

School Board

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board at June 30, 2012, were:

Breman Anderson Jr., President
James "JT" Brown, Vice-President
Bonnaye Mims, Member
Darrell Curls, Member
April Cushing, Member
Dan Osman, Member
Eric Lowe, Member

Superintendent

The district's superintendent at June 30, 2012, was Dr. Marjorie Williams and her annual compensation was \$187,900. The superintendent's compensation is established by the School Board.