



JOHN WATSON

Missouri State Auditor

April 15, 2015

Nia Ray, Director
Department of Revenue
and
Dr. Margie Vandeven, Commissioner
Department of Elementary and Secondary Education
Jefferson City, Missouri

To avoid a conflict of interest, the State Auditor recused himself from participation in this review and directed me to oversee procedures performed by the professional audit staff. This letter relates to our review of the Department of Revenue's (DOR) and the Department of Elementary and Secondary Education's (DESE) handling of excess revenues from traffic violations, and the distribution of excess revenues to school districts. The objectives of our review were to:

1. Obtain an understanding of the distribution of excess revenues from municipal traffic violations.
2. Determine the extent of the funds collected to date.
3. Determine if the funds are being distributed in accordance with Sections 302.341 and 166.131, RSMo.

Our review determined the DOR and DESE are not distributing the excess revenues from traffic violations in accordance with state law. As a result, school districts of the county where the excess revenues originated received less revenue than provided for in state law.

Methodology

Our methodology included reviewing agency provided financial reports and interviewing various personnel of the DOR and the DESE. We also met with DESE personnel regarding School Foundation Formula distributions.

Background

Pursuant to Section 302.341, RSMo, any city, town, village, or county that receives more than 30 percent of its annual general operating revenue from fines and courts costs for traffic violations, shall send the director of the department of revenue all revenue in excess of the 30 percent of the annual general operating revenue and the revenue shall be distributed annually to the schools of the county in the same

manner that proceeds of all penalties, forfeitures and fines collected for any breach of the penal laws of the state are distributed. In addition, Section 166.131, RSMo, requires the clear proceeds of all penalties and fines collected for any breach of the penal laws of the state shall be collected and distributed to the school districts of the county by the county clerk in the same proportion of the September membership of the school district.

Until August 2012, only one city had remitted excess revenues from traffic violations to the DOR. However, from December 2014 through March 20, 2015, the DOR received \$295,466 in excess revenues from five cities within Crawford, Newton, St. Francois, and St. Louis Counties.

Results and Conclusions

State distributions of excess revenues are not in compliance with Sections 302.341 and 166.131, RSMo, because excess revenues were not distributed only to the schools districts of the county where the excess revenues originated. The DOR deposited the excess revenues in the School Building Revolving Fund (SBRF) and the Office of Administration, Division of Accounting then transferred these amounts to the State School Monies Fund (SSMF) each month in accordance with approved appropriations. The DESE then distributed SSMF proceeds to Missouri school districts through various appropriations for the School Foundation Formula and other programs as authorized by the General Assembly.

DOR personnel indicated the DOR continues to follow procedures established when the excess revenues program was originally created but could not provide documentation to support the decision to deposit the excess revenues in the SBRF. DESE personnel indicated distributions are made in accordance with state appropriations and a distribution method analysis had not been performed because excess revenues had not been collected and transmitted to the DESE in recent years. In addition, DOR and DESE personnel were uncertain if an appropriation exists that would allow the DOR to disburse the excess revenues to school districts of the county where the excess revenues originated.

Our analysis of amounts distributed in February 2015, utilizing the School Foundation Formula, indicated school districts in Crawford, St. Francois, and St. Louis Counties did not receive \$235,450 due to this improper distribution method.

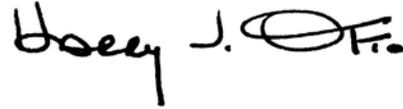
County (Number of School Districts)	Amount to be Distributed to County	Amount Received Using Formula	Net Loss
Crawford County (9)	5,000.00	\$ 3,487.93	1,512.07
St. Francois County (9)	44,038.00	6,956.28	37,081.72
St. Louis County (25)	231,716.00	34,858.92	196,857.08
Total	280,754.00(1)	\$ 45,303.13	235,450.87

(1) Does not include \$14,712 received from a city within Newton County but not distributed as of our review.

Recommendations

We recommend the DOR work with the DESE and, if necessary, the legislature to (1) ensure future excess revenues are distributed in accordance with state law, and (2) initiate action to correct previous excess revenues distributions.

Sincerely,

A handwritten signature in black ink that reads "Harry J. Otto". The signature is written in a cursive style with a large, prominent "H" and "O".

Harry J. Otto, CPA
Deputy State Auditor

CC: Honorable Jeremiah W. (Jay) Nixon, Governor
Members of the Missouri State Board of Education