

Nicole Galloway, CPA

Missouri State Auditor

De Soto School District #73

Report No. 2019-042

June 2019

auditor.mo.gov



Findings in the audit of De Soto School District #73

District Compensation	District employees received stipends not included on Board of Education approved salary schedules. December 2017 professional development stipends may be unreasonable and some were unsupported. Some manual calculations to determine compensation were not reviewed for accuracy resulting in overpayments. Hours recorded in the district time clock system for classified employees are not always used to support their compensation and overtime hours are not always recorded in the time clock system to support overtime payments. The district has no documented basis for the Superintendent's \$500 monthly vehicle allowance and did not report the extra compensation on his W-2 form. The district does not calculate and report the value of personal (commuting) mileage on employee W-2 forms as a fringe benefit.
Personnel Procedures, Records, and Policies	Several of the district's personnel procedures are not performed in accordance with Board policy. Accumulated compensatory time balances are not adequately tracked. The district does not always document how teacher absences are filled.
Cash Handling and Accounting Controls and Procedures	Weaknesses exist in receiving, transmitting, and depositing monies received at some schools. Accounting controls for district athletic events and concession sales need improvement.
Procurement Procedures, Contracts, and Disbursements	The district did not maintain documentation supporting some procurement decisions and did not always retain quotes received. The district has not periodically solicited proposals for legal services or formally evaluated those services. The district does not always monitor contracts effectively or enter into written contracts when appropriate. Disbursement documentation was not adequately detailed and mileage reimbursements were not always submitted timely. The district did not prepare 1099-MISC forms for payments to its law firm or 3 medical service vendors.
Budgets	The Board did not amend the district's budget prior to or when actual disbursements exceeded budgeted amounts.
Closed Meeting Minutes	The Board did not document its discussion of all topics listed as reasons for going into closed session.
Vineland Elementary Booster Organization	The Vineland Elementary Booster Organization (VBO) maintained funds in a bank account outside the district's control. The VBO did not consistently document meeting minutes and the meeting minutes were incomplete.
Homebound Attendance	The district incorrectly reported the attendance of homebound students for the 2017-2018 school year. In addition, records maintained to document homebound instruction provided were not sufficient.
Emergency Drills	The district did not have sufficient documentation to demonstrate that all required emergency drills were performed in accordance with policy.
Capital Assets and Fuel Use	The district did not record all capital asset purchases. The district did not reconcile fuel logs to fuel billings during the 2017-2018 school year.

Cafeteria Meals Charges	The district has not updated Board policy to agree with current procedures and did not always monitor collection activity on student cafeteria meal charges.
Subsequent Event	In April 2019, subsequent to our exit conference, the district was notified of irregularities in the handling of student meal monies at one school. A vendor employee opened envelopes that contained student meal monies, recorded the receipts in the accounting system, and prepared the deposit without a sufficient supervisory review.

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.

De Soto School District #73

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Missouri State Auditor

Board of Education
De Soto School District #73

The State Auditor was petitioned under Section 29.230, RSMo, to audit the De Soto School District #73. We have audited certain operations of the district in fulfillment of our duties. The district engaged Daniel Jones & Associates, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2018. 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, 2018. 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 procedures, including certain financial transactions.

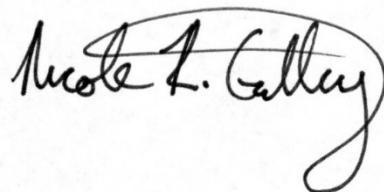
Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We 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 applicable contract, grant agreement, 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 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 De Soto School District #73.

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A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is fluid and cursive, with a large, sweeping loop on the right side.

Nicole R. Galloway, CPA
State Auditor

The following auditors participated in the preparation of this report:

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De Soto School District #73

Management Advisory Report

State Auditor's Findings

1. District Compensation

1.1 Stipends, supporting documentation, and manual calculations

We identified problems with the documentation, approval, and reasonableness of the compensation for various district employees.

District compensation totaled approximately \$16.4 million for the 2017-2018 school year and \$16.7 million for the 2016-2017 school year.

District employees received stipends not included on Board of Education approved salary schedules (i.e. employee or extra-duty). December 2017 professional development stipends may be unreasonable and some were unsupported. In addition, some manual calculations made to determine compensation were not reviewed for accuracy resulting in overpayments.

- Stipend payments totaling approximately \$192,000 for the 2017-2018 school year were not included on Board approved salary schedules. These stipends included additional pay for homebound instruction, grant collaboration, family/grandparent night, training and workshops, and additional tasks or support. The Superintendent indicated the stipends were included in the Board approved budgets, but the amounts were only included in total and/or did not list the individual stipend amount.
- In August 2017, the Board approved a \$600 professional development stipend for all full-time staff completing a minimum of 6 hours of professional development tasks/work items by December 1, 2017. The rate of \$100 per hour for the minimum required hours far exceeded most staff's approved hourly rate of pay. In addition, staff were required to complete the professional development during non-school hours (i.e. mornings, evenings, or weekends). However, supporting documentation did not always indicate the task or work item performed or the time when the professional development was completed. The stipends totaled approximately \$206,000 for the 2017-2018 school year.
- Manually calculated payments to 2 of 47 employees were inaccurate. We reviewed 47 personnel files and related payroll disbursements for the 2017-2018 and 2016-2017 school years. One employee was paid twice for the same day's work after changing to a new position. As a result, the employee was overpaid \$101. The other employee was paid twice for 12 sick leave days. Board policy requires annual payment of accumulated sick days over 150. The employee was overpaid for 12 sick days at a rate of \$50 per day, or \$600.

All compensation should be approved by the Board and included on salary schedules as necessary to ensure all employees are treated fairly and equitably and salaries are calculated consistently and are reasonable. In addition, adequate supporting documentation should be maintained to support all compensation and review of payroll disbursements is necessary to ensure all payroll transactions are accurate and accounted for properly. Without detailed



De Soto School District #73 Management Advisory Report - State Auditor's Findings

reviews of payroll documentation there is less assurance payments to employees are accurate.

1.2 Time reporting

Hours recorded in the district time clock system for classified employees are not always used to support their compensation. In addition, overtime hours are not always recorded in the time clock system to support overtime payments.

Classified employees are required to record their time in and out in the electronic time clock system, but the hours recorded in the system are not used to support their pay. Instead, the employees' established annual compensation is divided into 12 monthly payments. During our review we noted 14 employees, primarily custodial and maintenance staff, who received their full monthly compensation despite having less than 40 hours per week recorded in the time clock system.

In addition, because overtime is not always recorded in the time clock system, there was no way to verify the accuracy of overtime payments. For several of the same custodial and maintenance staff, overtime was manually approved on a payroll department change form. However, this form did not include the days the overtime was earned and/or the timeframe worked. Overtime payments totaled approximately \$14,000 for the 2017-2018 school year.

According to a district official, the district has implemented a new time clock system for the 2018-2019 school year and employee compensation will be paid based on the hours recorded in the system.

To adequately account for all payroll expenses and ensure the accuracy of hours worked, the district should fully use its time clock system. In addition, the Fair Labor Standards Act (FLSA) requires records of actual time worked by employees be maintained.

1.3 Superintendent vehicle allowance

The district has no documented basis for the Superintendent's \$500 monthly vehicle allowance and did not report the extra compensation on his W-2 form. The vehicle allowance, which is included in the Superintendent's contract, is intended to compensate him for driving his personal vehicle to conduct district business. Using the district's mileage rate of \$0.485 per mile, the Superintendent would have to travel approximately 1,000 miles per month or 33 miles per day to equal the allowance.

The Internal Revenue Service (IRS) specifically requires expenses not accounted for to the employer to be considered as gross income and payroll taxes to be withheld from the undocumented payments. In addition, the district should periodically review the reasonableness of the vehicle allowance paid and, if necessary, adjust the allowance to reasonably reflect the actual expenses incurred by the Superintendent.



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Management Advisory Report - State Auditor's Findings

1.4 Personal use of vehicles	The district does not calculate and report the value of personal (commuting) mileage on employee W-2 forms as a fringe benefit. Three district maintenance and custodial staff, considered to be on call 24 hours a day, 7 days a week, are allowed to use district vehicles to commute to and from work. There were no logs or other accounting of the use of these vehicles.
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IRS reporting guidelines indicate personal commuting mileage is a reportable fringe benefit. Because procedures have not been established to ensure IRS regulations are followed, the district may be subject to penalties and/or fines for failure to report all taxable benefits.

Recommendations

The Board of Education:

- 1.1 Provide additional oversight and approval regarding compensation decisions and ensure all payments to employees are accurate and have adequate supporting documentation.
- 1.2 Ensure the time clock system is used to support all compensation.
- 1.3 Ensure the Superintendent's vehicle allowance is subject to payroll taxes and properly reported on W-2 forms. The Board should also review the vehicle allowance paid to the Superintendent and set the allowance to reasonably reflect the actual expenses incurred.
- 1.4 Ensure personal (commuting) mileage is reported in accordance with IRS guidelines.

Auditee's Response

- 1.1 *This matter is resolved. Future compensation, including stipends, will be made pursuant to Board approved salary schedules. Future payments for extra-duty positions and sick leave will continue to be properly documented.*
- 1.2 *This matter is resolved. The district self-identified the need to address the time clock system prior to this audit. The time clock is already fully operational and will ensure hourly employees are appropriately paid.*
- 1.3 *This matter is resolved. The Superintendent's contract was renegotiated in January 2019 and the car allowance was removed as a specific item of compensation.*
- 1.4 *This matter is resolved. The W-2 forms for all employees using district vehicles will reflect personal commuting mileage as a fringe benefit.*



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Management Advisory Report - State Auditor's Findings

2. Personnel Procedures, Records, and Policies

2.1 Procedures not consistent with policies

Several of the district's personnel procedures are not performed in accordance with Board policy.

- The district allows employees to earn overtime and compensatory time for hours in excess of 8 hours per day. Board Regulation 4221 and the FLSA require overtime or compensatory time for any hours in excess of 40 hours per week. In addition, prior approval of overtime and compensatory time is not always documented as required by district Form 4221.
- Contracts for administrators employed on 12-month contracts did not always include provisions for employee vacation as required by Board Policy 4330.
- New employees, at hire, are awarded the total amount of sick leave due for the remainder of the year. Board Regulation 4320 requires new employees earn leave at a rate of one day per month during their first year.
- The district paid mileage reimbursement at a rate of \$0.485 for the 2017-2018 school year as shown on the district's approved mileage reimbursement form. Board Regulation 3440 allowed mileage reimbursement at a rate of \$0.30 per mile. The regulation was updated in August 2018 to officially make the reimbursement rate \$0.485 per mile.

Since district policies govern operations, it is important that the policies be maintained in an accurate, up-to-date manner, and are adequately communicated to district employees. If out-of-date, policies should be updated to reflect the district's intended and actual practices.

2.2 Compensatory time

Accumulated compensatory time balances are not adequately tracked. The district time clock system automatically calculates hours worked beyond the normal 8 hour day and reports total compensatory time for the month. However, accumulated hours are not maintained unless manually tracked by the individual employee.

Without centralized records, the district cannot ensure employee compensatory time balances are accurate and comply with Board Regulation 4221 and the FLSA.



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2.3 Unfilled absences

The district does not always document how teacher absences are filled. As a result, it is not evident whether students are receiving instruction from certified personnel.

When a teacher is absent, substitute teachers are employed and applicable information about that teacher's hours are entered into the district's attendance system to support the substitute's teacher compensation. However, if the district cannot locate a substitute teacher the system indicates an unfilled absence. A district official indicated when a substitute teacher cannot be found, the unfilled absence is either filled by a paraprofessional or the class is split (i.e. students are split up between the other classes of the same grade). However, district officials do not record this information in the attendance system. As a result, attendance for students placed in other classes is not counted and there is no record of whether the student was under the supervision of a certified professional, which can impact state funding. For the 2017-2018 school year, we identified 204 unfilled teacher absences in the district's attendance system.

State teaching rules require proper certification to provide instruction to students. In addition, state attendance reporting requirements indicate "students must be in attendance in an instructional capacity under the direct supervision of a certificated employee of the district to be counted for attendance purposes." To alleviate any concerns that students may be receiving instruction from staff not qualified and certified by the DESE and to ensure students are properly counted for attendance purposes, documentation should be maintained showing how all teacher absences are filled.

Recommendations

The Board of Education:

- 2.1 Ensure compliance with district policies or revise policies as needed.
- 2.2 Ensure centralized compensatory time records are maintained for all district employees.
- 2.3 Document how all teacher absences are filled.

Auditee's Response

- 2.1 *This matter is resolved. The district will continue to comply with its Board policies. The matters identified in the narrative of 2.1 are resolved per the adoption of the time clock system, modification of administrator contracts, and (as noted above) the previous revision of the mileage reimbursement rate set out in Regulation 3440.*
- 2.2 *This matter is resolved. The district self-identified the need to address the time clock system prior to this audit. The time clock is already*



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fully operational and will ensure the centralization of records related to the accrual of compensatory time.

- 2.3 *This matter is resolved. The district manages its procurement of substitute teachers through an online automated system, which does not allow for manual selection of individuals. Where the system does not automatically reflect the certificated staff member serving as substitute, manual notations will be made in the online system as documentation.*

3. Cash Handling and Accounting Controls and Procedures

Improvements are needed in the handling of student and athletic fees and concession monies. These receipts are at greater risk because a large portion is received in cash, and there are a variety of handling and record-keeping methods throughout the schools. As a result of numerous control weaknesses, there is less assurance these monies have been handled and accounted for properly. In April 2018, we reviewed cash controls and procedures at all district schools.

3.1 Receipt procedures

Receipt slips

Weaknesses exist in receiving, transmitting, and depositing monies received at some schools.

School district employees do not consistently issue receipt slips. In addition, supporting documentation for receipts is not always accurate or complete and not always provided with the transmittals to school secretaries.

- Receipt slips are not issued at Athena or Vineland Elementary schools for monies received or transmitted. In addition, receipt slips are not always issued at the Junior or Senior High schools and the composition (cash, check, or money order) of the receipt was not always noted.
- Receipts are sometimes transmitted to the school secretary by several employees (teachers and activity sponsors) before deposit and adequate documentation is not always provided (receipt slips or receipt log) to support these transmittals. We identified this weakness at Athena and Vineland Elementary schools, and the Junior and Senior High schools.

For example at Athena Elementary, receipt logs maintained by teachers to track student milk money collections were not turned over to the school secretary with each transmittal. In addition, the receipt logs did not indicate the composition of collections.

As a result, deposits could not be reconciled to supporting documentation.

Restrictive endorsement and depositing timely

Employees do not always restrictively endorse checks immediately upon receipt and receipts are not always transmitted or deposited timely or intact.



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- Checks received were not always endorsed at the Junior and Senior High schools. Checks collected by cafeteria workers and prepared for deposit at the Junior High School were not endorsed. In addition, checks collected at the Senior High School for track/wrestling meet fees, summer camp fees, and a soccer fieldtrip were not endorsed.
- Receipts are not always transmitted or deposited timely or intact. For example, during our cash count at Athena Elementary on April 23, 2018, we noted the deposits of milk and choir t-shirt monies collected included checks from January 2018. In addition, during our cash count at the Senior High School on April 24, 2018, we noted track/wrestling meet fees collected from February 2018. A district official indicated the monies were not to be deposited until after the event was held April 2018.

Reconciliation and oversight

Vineland Elementary School staff did not always complete and review the District Cash Verification Form (DCVF) in accordance with District Cash Verification Procedures. District employees are required to complete a DCVF for each district event where monies are collected. The event, date, and start-up monies are recorded on the form before the event and a cash reconciliation is recorded on the form after the event. For one of two deposits reviewed, Section III of the DCVF was not completed showing the composition of the receipts. In addition, for this deposit and the other one reviewed, the cash counted was not verified by a second employee and school administration (e.g. principal).

Conclusion

To properly account for all receipts and ensure monies are accounted for properly and deposited, official prenumbered receipt slips should be issued in numerical order for all monies received, and the method of payment should be recorded on receipt slips and reconciled to the composition of receipts recorded on the DCVF and deposits or transmittals. In addition, checks should be restrictively endorsed upon receipt and DCVFs should be properly completed and verified in accordance with district procedures. The failure to transmit and deposit monies intact and timely and properly document such procedures increases the risk of loss, theft, or misuse of funds.

3.2 Event gate and concessions

Accounting controls for district athletic events and concession sales need improvement. Tickets are not issued to attendees of district athletic events. Instead, for indoor events such as basketball games, tally sheets are used to count attendees and reconcile collections to deposits. The tally sheets are not used for outdoor events such as football games. Without some method of determining attendance, there is no way for the district to reconcile outdoor event collections to deposits and ensure all receipts are deposited. A district official indicated that outdoor events have too many points of entry to accurately count all attendees. The district collected approximately \$29,000 in admissions fees for the 2017-2018 school year.



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The district does not reconcile concession sales to deposits, nor require inventory records of concession items purchased, sold, and on hand to be maintained and reconciled to concession monies collected. The district collected approximately \$52,000 in concession sales for the 2017-2018 school year.

To properly account for all event gate and concession receipts and ensure monies are accounted for properly and deposited, tickets should be issued or tally sheets used to account for attendees and concession sales reconciled to deposits. In addition, an inventory of concession merchandise purchased, sold, and on hand should be maintained and reconciled to collections.

Recommendations

The Board of Education:

- 3.1 Ensure monies are properly received, deposited timely and intact, and receipts are reconciled to the composition of deposits. In addition, checks should be restrictively endorsed upon receipt and DCVFs should be properly completed and verified.
- 3.2 Ensure gate monies deposited for all events are reconciled to the number of people paying and amounts collected for concessions are reconciled to deposits and changes in concession inventory.

Auditee's Response

- 3.1 *This matter is resolved. The district is endorsing and depositing all checks for events, issuing numerical receipt slips, and reconciling deposits/transmittals per the DCVF.*
- 3.2 *This matter is resolved. As of the 2018 winter season, the district implemented tally sheets to track gate attendance and will continue that practice. The district is currently identifying electronic tools to track and reconcile attendance versus deposits and concession inventory purchase versus deposits and changes in inventory.*

4. Procurement Procedures, Contracts, and Disbursements

4.1 Procurement procedures

District procurement, contracting, vendor monitoring, and disbursement procedures and practices need improvement.

- The district did not maintain documentation supporting some procurement decisions and did not always retain quotes received.
- For the 2017-2018 school year, the district requested and received quotes for several services including occupational therapy and diagnostic services. Four vendors quoted prices lower than the vendor awarded the



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occupational therapy contract and 2 vendors quoted lower prices than the vendor awarded the diagnostic services contract. A district official indicated the Board received recommendations for the selected vendors based on the district's past experience with the vendors, information from officials with other school districts familiar with the vendors, and/or the location of the vendors' operations (i.e. local vs. out-of-state). However, documentation could not be provided to support this information. The district paid \$98,919 for the occupational therapy services and \$64,131 for the diagnostic services for the 2017-2018 school year.

- The district could not locate some quotes solicited and received for student counseling services provided for the 2017-2018 school year. The district found the quote from the vendor awarded the contract, but not for other vendors. A district official indicated at least one other vendor provided the district a quote for the student counseling services. The district paid \$15,000 for these services over the term of this contract.

Adequate documentation should be retained to support quotes received, the evaluation of the quotes, and the reasoning for the selected vendor to provide support if questions arise regarding the procurement process.

4.2 Legal services

The district has not periodically solicited proposals for legal services or formally evaluated those services. The district has used the same law firm for the last 13 years. The district paid approximately \$23,000 for legal services during the 2017-2018 school year.

Board Policy 3180 allows the district to procure professional services, including legal services, without annually bidding such services, if district officials believe the quality of service, cost and working situation are acceptable. However, the Board did not periodically perform an evaluation of legal services provided to demonstrate the vendor met these criteria.

Periodically soliciting proposals for professional services is a good business practice, and, at a minimum, the district should periodically evaluate the services provided to ensure they are acceptable to justify continuation.

4.3 Contract compliance

The district does not always monitor contracts effectively or enter into written contracts when appropriate. We reviewed 11 purchased service contracts with disbursements totaling over \$1.4 million for the 2017-2018 school year.

- The district did not enter into a signed written contract for occupational therapist services. While the Board approved the vendor's selection, the district could not locate a signed contract.
- Some contracts reviewed were incomplete and did not adequately define each party's responsibilities. The occupational therapy services proposal



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did not include the rate of pay for a Certified Occupational Therapy Assistant. The vendor received \$60 per hour for this service.

In addition, the diagnostic services contract did not stipulate the mileage reimbursement rate; however, mileage was reimbursed by the district at \$0.485 per mile.

Also, a contract the district entered into with another school district to provide a student services in accordance with the student's Individualized Education Program did not include the cost of tuition to be paid by the De Soto School District and had an outdated schedule of related services costs. The district paid \$10,620 for this student's tuition for the 2017-2018 school year.

- The district did not maintain fully executed copies of 3 of 10 service contracts reviewed. In addition to student counseling services previously discussed, the district did not maintain fully executed contracts for educational programming and deaf services. The district paid approximately \$25,900 for educational programming services and \$30,125 for deaf services for the 2017-2018 school year.
- The district did not ensure all contract deliverables were met. The student counseling service contract required the vendor provide the district copies of documents related to the services provided; however, the district could not provide this information upon our request.

In addition, the educational programming contract required the vendor to provide signed invoices and attendance records. The invoices and attendance records provided to the district by the vendor were unsigned.

Clear and detailed written contracts, including reporting requirements and provisions to allow for proper monitoring, are necessary to ensure all parties are aware of their duties and responsibilities, prevent misunderstandings, and ensure district monies are used appropriately and effectively. Closely monitoring contractor performance and compliance with contract terms is important to ensure limited district resources and assets are used wisely and that expectations of the Board and the public are met. Section 432.070, RSMo, requires contracts for political subdivisions be in writing.

4.4 Disbursements

Our review of disbursements identified several concerns. We tested 40 district disbursements totaling approximately \$167,000 for the 2017-2018 school year, as well as applicable disbursements associated with the purchased service contracts discussed in MAR finding number 4.3.



De Soto School District #73 Management Advisory Report - State Auditor's Findings

- Invoices submitted to the district for payment were not always adequately detailed limiting the district's ability to review them for reasonableness and accuracy.

Invoices for legal services did not adequately detail each service, the number of hours, or rate charged. Rather, the invoice only included the total hours and costs for the month billed. Invoices for diagnostic services did not adequately detail the services provided by student, or the applicable mileage driven to provide these services. The invoice only included the total hours and miles for the month.

- Documentation provided by the nutrition services vendor for "other costs" was not adequate. These costs were only summarized by category (e.g. vehicle expenses, meals and entertainment, supplies, training, miscellaneous, etc.) for the month billed and supporting documentation for these disbursements was not submitted to the district for review. The total amount paid by the district for "other costs" in the 2017-2018 school year was approximately \$40,700.
- Mileage reimbursements were not always submitted timely for payment. One invoice reviewed included employee travel between August 2017 and December 2017, totaling \$165.

To ensure prudent and proper use of district funds, requests for reimbursements and payments should only be approved when adequate supporting documentation is submitted with the requests. Only by receiving detailed supporting documentation for reimbursements and payments can the district ensure the amounts claimed for reimbursement and payment are legitimate and accurate, and comply with district reimbursement and disbursement policies. In addition, claims for mileage should be submitted by district staff monthly for reimbursement.

4.5 Form 1099-MISC

The district did not prepare IRS Form 1099-MISC for payments to its law firm or 3 medical service vendors for the year ended December 31, 2017. During the year, the district paid approximately \$30,300 for legal services, \$80,000 for speech/occupational therapy services, \$10,000 for student counseling, and \$18,700 for private duty nursing services.

Sections 6041 through 6050W of the Internal Revenue Code require non-wage payments of at least \$600 in one year for professional services or for services performed as a trade or business by non-employees (other than corporations, except for medical and legal services), be reported to the federal government on 1099-MISC forms. To ensure compliance with IRS requirements, the district should ensure these forms are prepared and issued in all applicable instances.



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Management Advisory Report - State Auditor's Findings

Recommendations

The Board of Education:

- 4.1 Ensure adequate documentation is maintained to support procurement decisions.
- 4.2 Ensure legal services are periodically solicited or formally evaluated to support a decision to continue with such services.
- 4.3 Establish procedures to properly monitor contract requirements and enter into written contracts defining services provided and benefits received.
- 4.4 Ensure invoices received for payment are adequately detailed to support the district's review. In addition, the Board should ensure employee mileage reimbursement requests are submitted for payment monthly.
- 4.5 Ensure payments totaling greater than \$600 to non-employees and businesses are properly reported to the IRS. The district should file amended 1099-MISC forms for past years.

Auditee's Response

- 4.1 *This matter is resolved. The district notes that the procurement decisions cited in this section relate to professional services, which are not required to be competitively bid. The district will ensure future procurement decisions as to the "lowest and best" bid are documented where final selection is not the lowest bidder.*
- 4.2 *The district will periodically evaluate the acceptability of its legal services pursuant to Board Policy 3180 as appropriate.*
- 4.3 *This matter is resolved. The district has established a process to ensure written contracts are executed and maintained in a central location. Written contracts will identify all essential terms, including deliverables, and cost per unit.*
- 4.4 *This matter is resolved. Written contracts will identify all essential terms, including deliverables and cost per unit. Vendors will be required to submit invoices aligning with these contract terms. Employees will be directed to submit mileage reimbursement requests monthly, absent exigent circumstances.*
- 4.5 *The matter is resolved. The district will ensure 1099-MISC forms are issued in all applicable instances as determined by its local auditor and/or tax professionals.*



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Management Advisory Report - State Auditor's Findings

5. Budgets

The Board did not amend the district's budget prior to or when actual disbursements exceeded budgeted amounts. For the year ended June 30, 2018, actual disbursements exceeded budgeted amounts by \$409,615 for the General Fund and \$123,293 for the Debt Service Fund.

Section 67.040, RSMo, requires political subdivisions to keep disbursements within amounts budgeted, but allows for budget increases if the governing body officially adopts a resolution setting forth the facts and reasons. In addition, Section 67.080, RSMo, provides that no disbursement of public monies should be made unless it is authorized in the budget. Proper budget amendment prior to disbursing funds is necessary for the budget to be an effective management tool and comply with state law.

Recommendation

The Board of Education ensure the budgets are amended prior to actual disbursements exceeding budgeted amounts.

Auditee's Response

The matter is resolved. The circumstances related to the disbursement versus budgeted amounts arose from unique circumstances in the district's Self Fund Health Insurance expense. The debt service fund matter resulted from an opportunity the district took advantage of during favorable bond market conditions (lower interest rates) that resulted in a savings of \$2,292,050 by refunding SE2015A Bonds early in fiscal year 2018. This unique refunding opportunity was non-routine as the district does not participate in similar transactions on an annual basis. Any future similar circumstances will result in an amended budget.

6. Closed Meeting Minutes

The Board did not document its discussion of all topics listed as reasons for going into closed session. For example, the November 16, 2017, and January 18, 2018, open meeting minutes indicated a closed meeting would be held to discuss topics including the "lease, sale or purchase of real estate." However, the closed meeting minutes did not document any discussion of real estate. District officials indicated topics discussed but not voted on are not documented in the closed meeting minutes. However, our review of closed meeting minutes identified documentation of topics discussed when no vote occurred.

Section 610.022, RSMo, mandates the discussion topics and actions in closed meetings must be limited to only those specifically allowed by law, requires the specific reasons for closing a meeting by citation to a specific section of the Sunshine Law be announced publicly at an open meeting, and requires documentation of the roll call votes to enter closed meetings in public minutes. To ensure compliance with state law and the public is accurately informed, the Board should only cite reasons for going into closed session it plans to discuss.



De Soto School District #73
Management Advisory Report - State Auditor's Findings

Recommendation	The Board of Education ensure the specific statutorily allowed reasons for closing a meeting are documented.
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Auditee's Response	<i>The matter is resolved. The district will ensure minutes from closed meetings comply with the Sunshine Law and are consistent in the matters recorded.</i>
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7. Vineland Elementary Booster Organization	The Vineland Elementary Booster Organization (VBO) did not always comply with Board regulations.
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7.1 Bank account	The VBO maintained funds in a bank account outside the district's control. According to the April 12, 2018, meeting minutes, the balance of this account was \$1,395.
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Board Regulation 1490 regarding relations with booster clubs states that "the Superintendent or a designee has approval authority over booster clubs . . . and appropriate school accounting practices must be followed with oversight through the district Bookkeeper." Board regulations further indicate all receipts are to be deposited in the district's account and separate bank accounts are not allowed for any organization as the district is custodian of all funds.

To adequately safeguard district assets from loss, theft, or misuse all district funds should be controlled by the district and reviewed by the district bookkeeper in accordance with district policy.

7.2 Meeting minutes	The VBO did not consistently document meeting minutes and the meeting minutes were incomplete. Meeting minutes were only maintained for 5 of 22 meetings held between January 2016 and May 2018. For most of the other meetings, the minutes consisted only of handwritten notes written on the meeting agenda. In addition, the VBO's agendas and meeting minutes did not include the time and meeting place and the meeting minutes were not signed by the preparer or reviewed and approved ensuring the minutes represented a correct record of the matters discussed and actions taken during the meetings.
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Board Regulation 1490 indicates booster clubs should have procedures to "plan and publicize meetings" and "properly take, distribute, and file meeting minutes." The regulation further states meetings "should be open to the public" and "minutes should be taken at each meeting and kept on file at the school."

Inadequate meeting minutes can lead to subsequent uncertainty as to the VBO's intentions and possible incorrect interpretation of the VBO's actions by the district, general public, or other outside entities.



De Soto School District #73
Management Advisory Report - State Auditor's Findings

Recommendations	The Board of Education:
	<ul style="list-style-type: none">7.1 Ensure any booster club bank accounts are closed and all funds are transferred to the district in accordance with Board regulations.7.2 Ensure booster clubs maintain complete, accurate, and approved agendas and meeting minutes for all meetings in accordance with Board regulations.
Auditee's Response	<ul style="list-style-type: none">7.1 <i>This matter is resolved. The booster club bank account is closed and all funds are aligned with Board policies.</i>7.2 <i>This matter is resolved. Booster club meetings are appropriately documented with an agenda and minutes.</i>
8. Homebound Attendance	<p>The district incorrectly reported the attendance of homebound students for the 2017-2018 school year. In addition, records maintained to document homebound instruction provided were not sufficient. In total, the district recorded approximately 1,600 hours of homebound instruction and reported approximately 1,900 days of homebound attendance to the Missouri Department of Elementary and Secondary Education (DESE).</p>
	<p>DESE attendance reporting requirements indicate homebound instruction may be provided to students "so medically fragile that they cannot attend school . . . homebound students may be counted for full attendance if the student has received a minimum of 5 hours of one-on-one instruction per week by a certificated teacher (Sunday thru Saturday). If the instruction is below 5 hours then the student's attendance is only based on actual hours of instruction . . . "</p>
	<p>District records supporting instruction provided to homebound students were summarized by month instead of by week, making it impossible to directly compare the records to weekly attendance reported to the DESE. However, during our review of available records we noted that 18 students reported to the DESE as receiving homebound instruction were not actually provided any homebound instruction. In addition, another 23 students did not likely receive the required 5 hours per week of instruction to justify full attendance.¹ As a result, an estimated 876 of the 1,900 (46 percent) district homebound attendance days may have been over reported to the DESE. Because attendance hours are used to determine state funding, in part, the overstated student attendance hours would have resulted in approximately \$30,000 in excess state funding.</p>

¹ Total hours of instruction did not average 5 hours per week.



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Management Advisory Report - State Auditor's Findings

Accurate attendance data is necessary to ensure the district complies with applicable state and federal guidelines and appropriately claims state funding.

Recommendation

The Board of Education ensure the district corrects attendance records for homebound attendance for the 2017-2018 school year and previous years as necessary to comply with DESE attendance reporting guidelines. In addition, the Board should ensure procedures are implemented to ensure future homebound attendance records are accurate and supported including maintaining weekly instruction hour records.

Auditee's Response

This matter is being resolved. The district is working with DESE to ensure accurate reporting of homebound attendance. The district has established new procedures to ensure the accuracy of weekly homebound records.

9. Emergency Drills

The district did not have sufficient documentation to demonstrate that all required emergency drills were performed in accordance with policy. We identified the following issues:

- The district could not provide documentation that a second earthquake drill was performed at the high school.
- There was no documentation a second quarter fire drill was performed at Vineland Elementary School. A district official indicated the fire drills were conducted in accordance with policy; however, two of the four drills were conducted in January 2018 instead of quarterly as required by policy.
- There was no documentation that 2 of 4 fire drills and a second earthquake drill were performed at Athena Elementary School. A district official indicated the additional Athena Elementary School drills were performed in August 2017, October 2017, and February 2018, but the employees that maintained documentation of the drills are no longer employed by the district.

Board Regulation 5240 requires the district conduct fire drills at each school in the first full week of the school year and quarterly thereafter and conduct two earthquake preparedness drills per school year. Properly planned, executed, and documented emergency drills are necessary, to the extent possible, to ensure the safety of all students, staff and visitors in district facilities. Supporting documentation of drills held is necessary to demonstrate compliance with Board regulations.

Recommendation

The Board of Education ensure sufficient documentation of emergency drills is maintained.



De Soto School District #73
Management Advisory Report - State Auditor's Findings

Auditee's Response

This matter is resolved. The district will continue to implement Board Regulation 5240 by performing fire drills at each school in the first full week of the school year and quarterly thereafter and conduct two earthquake preparedness drills per school year. Centralized documentation of performance of the drills will be maintained.

10. Capital Assets and Fuel Use

10.1 Capital assets

Controls and procedures over district property and fuel use need improvement.

The district did not record all capital asset purchases. At June 30, 2018, the district had approximately \$53.8 million in capital assets. However, during our review of disbursements, we noted 2 of 7 capital asset purchases, a golf cart (\$2,250) and a digital camera (\$479), were not recorded in the district's capital assets records. District officials indicated these items were still in use by the district, but not added to the asset listing by building staff, as required, when the physical inventory was performed.

To ensure capital assets are properly accounted for and to help prevent theft or misuse of assets, capital asset records should be updated periodically. Adequate capital asset records are necessary to ensure better internal control over district property and provide a basis for determining proper insurance coverage on district property.

10.2 Fuel

The district did not reconcile fuel logs to fuel billings during the 2017-2018 school year. The district maintains 2 locked bulk fuel tanks at the transportation department and uses fuel logs showing the date, amount of fuel pumped, mileage, and the bus or vehicle obtaining the fuel to document fuel use. However, no comparison was performed between total gallons pumped, gallons purchased, and gallons on hand. The district purchased approximately \$185,000 in fuel during the 2017-2018 school year.

Procedures for reviewing fuel use and reconciling use to fuel purchases (invoices) are necessary to ensure the reasonableness and propriety of fuel use and disbursements. The failure to promptly account for fuel use could result in theft and misuse going undetected.

Recommendations

The Board of Education:

- 10.1 Ensure complete and accurate capital asset records are maintained.
- 10.2 Ensure a documented periodic reconciliation of fuel purchased to fuel used is performed, with any significant differences investigated.

Auditee's Response

10.1 This matter is resolved. Both items identified in this section are added to the capital assets records.



De Soto School District #73
Management Advisory Report - State Auditor's Findings

10.2 *This matter is resolved. The district will maintain current fuel use logs and reconcile to ensure appropriate fuel usage. As noted in the finding, access to fuel is restricted, and the district has no indication of misuse or theft of fuel.*

11. Cafeteria Meal Charges

The district has not updated Board policies to agree with current procedures and did not always monitor collection activity on student cafeteria meal charges. In addition, district staff are allowed to accrue charges for meals. As of July 2018, outstanding balances totaled \$42,734 for 1,103 student accounts and \$1,130 for 78 staff accounts. Two student balances exceeded \$1,000 each.

According to Board Policy 5550, elementary students are allowed to charge a maximum of \$10 for meals, after which the student may be given a designated menu alternate; middle school students are allowed to charge \$10 for meals, after which no additional charges are accepted; and high school students are allowed to charge one meal. However, according to the district's nutrition services vendor Board Policy 5550 was not followed for the 2017-2018 school year because only high school students meal purchases were limited by providing them an alternate lunch if they had a balance due of more than \$5. District officials indicated they revised procedures for the 2017-2018 school year but have not updated the Board policy. Also, Board policy does not address whether staff members are allowed to incur outstanding balances for meal purchases or the collection of balances due.

If existing policies do not agree to current procedures and/or meet the intentions of the Board and the needs of the students, policies should be revised. Revised policies should address the Board's intentions and student needs, while allowing for the monitoring of outstanding balances due. Proper monitoring is necessary to provide information to the district when amounts are deemed uncollectible and should be written off.

Recommendation

The Board of Education establish and/or revise policies related to student and staff cafeteria meal charges. Policies should meet the needs of students and current intentions of the Board. The Board should monitor and resolve outstanding student cafeteria balances at year end.

Auditee's Response

The district will ensure the Board is aware of outstanding student cafeteria balances at the end of each school year to determine the need of addressing specific situations or revision of Board policy.

12. Subsequent Event

In April 2019, subsequent to our exit conference, the district was notified of irregularities in the handling of student meal monies at one school.

The district contracts with a vendor to provide food services in all of its schools. Services provided include meal preparation and the collection and management of payments received for meals. The district relies on this vendor



De Soto School District #73 Management Advisory Report - State Auditor's Findings

to have appropriate controls in place to ensure student meal monies are recorded and deposited. At one school, however, a vendor employee opened envelopes that contained student meal monies, recorded the receipts in the accounting system, and prepared the deposit without a sufficient supervisory review.

In accordance with Board Policy 3106, district officials, when notified about the irregularities, took immediate action to investigate the issue. They contacted the Jefferson County Sheriff's office and the Board held a special meeting to evaluate the concern and approved hiring a firm to conduct a forensic audit. The food service vendor also took action and removed the employee involved in the matter.

Prior to this incident, the district had already selected a new food service vendor through a competitive bidding process that will begin work in the next school year. School officials indicated they expect the forensic audit to be complete by that time and will consider any recommendations when working with the new vendor.

De Soto School District #73

Organization and Statistical Information

De Soto School District #73 is located in the eastern part of Missouri, covering parts of Jefferson, St. Francois, and Ste. Genevieve counties.

The district currently has one early childhood center, one preschool, two elementary schools (grades K-6), a junior high school (grades 7-8), and a senior high school (grades 9-12). Enrollment was approximately 3,100 students for the 2017-2018 school year. The district employed 481 full- and part-time employees, including 119 part-time substitutes (teachers, aids, custodians, nurses, and bus drivers) at June 30, 2018.

The De Soto School District #73 has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

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, 2018, were:

Jeffrey Russell, President
Beverly Wilson, Vice-President
Mark Ferrell, Member
Tarrole Milfeld, Member
Gene Moses, Member
Lori McKee, Member
Pamela Midgett, Member

Superintendent

The district's superintendent at June 30, 2018, was Dr. Joshua Isaacson. His total compensation for the 2017-2018 school year was \$143,248 including an annual salary and costs associated with health, dental, and vision insurance dependent coverage. In addition, Dr. Isaacson receives a \$6,000 travel allowance (\$500 per month). The superintendent's compensation is established by the Board of Education.

Financial Activity

A summary of the district's financial activity for the year ended June 30, 2018, follows.

De Soto School District #73
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Year Ended June 30, 2018

	General (Incidental) Fund	Special Revenue (Teachers) Fund	Debt Service Fund	Capital Projects Fund	Totals
REVENUES					
Local	\$ 7,853,596	2,894,594	1,892,946	214	12,641,350
County	538,169	35,539	152,423	0	726,131
State	2,054,210	12,018,062	0	563,588	14,635,860
Federal	2,400,939	0	547,429	36,000	2,984,368
Other	648,183	0	8,905,495	3,529	9,557,207
TOTAL REVENUES	13,495,097	14,948,195	11,498,293	603,331	40,544,916
EXPENDITURES					
Instruction	3,146,060	13,814,088	0	52,431	17,012,579
Attendance	117,783	0	0	0	117,783
Guidance	13,478	529,124	0	2,152	544,754
Health services	209,340	0	0	1,546	210,886
Improvement of instruction	33,429	69,012	0	0	102,441
Professional development	144,433	192,986	0	0	337,419
Media services	739,195	299,043	0	58,373	1,096,611
Board of Education services	51,663	0	0	0	51,663
Executive administration	909,816	523,088	0	1,495	1,434,399
Building level administration	436,073	992,675	0	0	1,428,748
Operation of plant	2,708,773	0	0	53,978	2,762,751
Pupil transportation	1,440,319	0	0	280,840	1,721,159
Food services	1,110,412	0	0	0	1,110,412
Community services	134,529	12,986	0	0	147,515
Early childhood programs and instruction	273,532	101,745	0	0	375,277
Capital outlay	0	0	0	361,806	361,806
Debt Service:					
Principal retirements	0	0	831,500	451,397	1,282,897
Interest	0	0	1,099,290	36,988	1,136,278
Other charges	0	0	222,064	0	222,064
TOTAL EXPENDITURES	11,468,835	16,534,747	2,152,854	1,301,006	31,457,442
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,026,262	(1,586,552)	9,345,439	(697,675)	9,087,474
OTHER FINANCING SOURCES (USES)					
Transfers (to) from other funds	(1,937,698)	1,586,552	0	351,146	0
TOTAL OTHER FINANCING SOURCES (USES)	(1,937,698)	1,586,552	0	351,146	0
NET CHANGE IN FUND BALANCES	88,564	0	9,345,439	(346,529)	9,087,474
FUND BALANCE, BEGINNING OF YEAR	8,957,995	0	2,619,303	642,379	12,219,677
FUND BALANCE, END OF YEAR	\$ 9,046,559	0	11,964,742	295,850	21,307,151