



COLUMBIA 93 SCHOOL DISTRICT

BOONE COUNTY, MISSOURI

YEAR ENDED JUNE 30, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 99-54  
August 16, 1999

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

May 2000

**The following findings are a result of an audit conducted by our office in response to the request of petitioners from the Columbia 93 School District, in Boone County, Missouri. The Yellow Sheet points out those findings the State Auditor found particularly noteworthy.**

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The school district does not always solicit bids or keep bid documentation for major purchases. While district employees indicated that in some instances bids were solicited by phone or by direct contact with vendors, documentation was not kept for some purchases.

The following are examples of expenditures the district made but could not provide bid documentation:

Item	Cost
Public Relations Services	\$60,622
1998 Jeep Sport Cherokee	\$20,957
Laptop Computers	\$11,151

The district has used the same architectural firm for construction projects for 17 years. Although the district selected the firm through a formal selection process, the district has continued to renew the contract with this firm without periodically conducting a selection process.

The district uses various law firms for its legal services. For two of these firms, the district did not receive written price quotes or enter into a written agreement for these services and, for the past three years, the district has simply renewed its contract for audit services, rather than rebid the contract.

The school district contributes \$5,000 each year to the Boone County Teachers Credit Union to assist with its costs of serving the district's teachers. In addition, the district provides services to the credit union on a reimbursement basis, such as payroll and purchasing of supplies. There is no written agreement between the credit union and the school district outlining the terms of this arrangement and specifying the services the district is to receive.

Purchase orders for food supplies are not issued and approved prior to placing orders.

(over)

YELLOW SHEET

The transportation contract has not been bid since 1979. Prior to contracting transportation services, the district owned and operated its own transportation system. Since changing to a contracted bus system, the district has not formally evaluated the costs and benefits of owning its system versus contracting for the services.

Adequate procedures are not in place to monitor transportation costs. Our review noted several routes in which the number of riders assigned to the buses and the number of actual riders on the count day were significantly lower than bus capacities.

While the district has begun the process of developing procedures to review and monitor bus routes, the district should continue this process to ensure all bus routes are operating efficiently. Specific routes with low ridership should be reviewed and investigated to identify any areas where costs can be reduced such as decreasing the size of the bus.

The school district operates a copy center which provides various copying and printing services to the district as well as to school related organizations such as the Parent Teacher Association (PTA). The copy center operates on a cost recovery basis and the various departments and organizations are charged based on the type and volume of services received. We recommend the School Board perform an analysis of all costs associated with the copy center and ensure the rates charged cover all operating costs.

Various schools and offices within the district maintain petty cash funds ranging from \$100 to \$2,500. Last year these funds totaled approximately \$128,500. We found several instances in which petty cash reconciliations had not been performed and submitted to the business office. As a result, there was no documentation supporting the petty cash balance. Also, staff in the district's business office indicate they perform annual year-end cash counts of the petty cash funds; however, these cash counts are not performed on a random basis nor are they documented.

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COLUMBIA 93 SCHOOL DISTRICT  
BOONE COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Education  
Columbia 93 School District  
Columbia, MO 65203

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Columbia 93 School District. The school board had engaged Gerding, Korte & Chitwood, Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 1998. To minimize any duplication of effort, we reviewed the report and substantiating workpapers of the CPA firm. Our audit of the school district included, but was not limited to, the year ended June 30, 1998. The objectives of this audit were to:

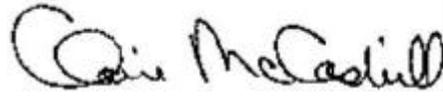
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, school district policies, and various school district financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the district and its audited financial reports and was not subjected to auditing procedures applied during our audit of the district.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the Columbia 93 School District.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is written in a cursive style with a vertical line to the right of the text.

Claire McCaskill  
State Auditor

April 29, 1999

## HISTORY AND ORGANIZATION

COLUMBIA 93 SCHOOL DISTRICT  
BOONE COUNTY, MISSOURI  
HISTORY AND ORGANIZATION

The Columbia 93 School District is located midway between Kansas City and St. Louis at the crossroad of I-70 and U.S. Highway 63. It covers approximately 271 square miles within Boone County.

The district operates two senior high schools (10-12), an alternative high school, a vocational center (10-12), three junior high schools (8-9), three middle schools (6-7), and eighteen elementary schools (K-5). Enrollment was approximately 15,619 for the 1997-1998 school year. The district employs approximately 2,323 full and part-time employees, including 111 administrative staff, 1,501 teachers and instructional support staff, and 711 support staff.

Columbia 93 School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

A seven-member Board elected for three-year terms, serves without compensation as the policy-making body for the district's operations. Members of the Board at June 30, 1998 and their current terms of office are:

<u>Name and Position</u>	<u>Current Term Expires</u>
Elton Fay, President (1)	April 2000
David P. Ballenger, Vice President (2)	April 2002
Lynnanne Baumgardner, Member	April 2001
Dr. Kerry Crist, Member	April 2000
J.C. Headley, Member (3)	April 2001
Dr. L.D. Schoengarth, Member (2)	April 2002
Russell C. Still, Member (2)	April 2002
 <u>Other Principal Officials</u>	 <u>Annual Compensation</u>
Dr. C. Russell Mayo, Superintendent (4)	\$ 103,950 (8)
Dr. Marjorie Spaedy, Deputy Superintendent for Administration	87,900
Dr. Bert Schulte, Assistant Superintendent for Instruction	87,200
Charles E. (Skip) Deming, Assistant Superintendent for Elementary Education (5)	85,400
Lou Barlow, Assistant Superintendent for Secondary Education (6)	85,000
Dr. Lynn Barnett, Director of Student Services	74,800
Kevan Snell, Director of Business Services	82,000
Dr. Gene Huff, Director of Personnel (7)	75,500

Dr. Kim Ratcliffe, Director of Special Education

68,500

- (1) Became board president after the April 1998 election.
- (2) Re-elected in April 1999 to serve a three-year term expiring in April 2002.
- (3) Elected to the board in April 1998, replacing Dr. Harris Cooper.
- (4) Resigned at the end of the 1997-98 school year; replaced by Dr. James Ritter in July 1998.
- (5) Retired; replaced by Dr. Cheryl Cozette in July 1998.
- (6) Resigned; replaced by Christopher L. Mallory in August 1998 as Assistant Superintendent for Secondary Education and School Communications.
- (7) Retired; replaced by Dr. Kim Harding in July 1998.
- (8) The Superintendent also received \$7,250 toward a tax sheltered annuity.

Assessed valuation and tax rate information for the district are as follows:

	<u>1998</u>	<u>1997</u>
Assessed Valuation	\$ 1,090,964,765	\$ 1,042,836,063
Tax Rate	4.12	4.12

MANAGEMENT ADVISORY REPORT

COLUMBIA 93 SCHOOL DISTRICT  
BOONE COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Expenditures (pages 8-13)

Bids were not obtained or bid documentation retained for major purchases totaling approximately \$110,000. The food service department purchase orders are not prepared and approved prior to the purchase of the items. The district has not periodically conducted a formal selection process for architectural services. Written contracts were not obtained for some services.

2. Transportation Services (pages 13-16)

The contract with the transportation company has not been bid since 1979. The district has not performed a formal analysis of owning an in-house transportation system versus contracting the services. Some bus routes appear to have low ridership compared to bus capacities.

3. Copy Center Accounting Procedures (pages 16-17)

Total costs associated with the copy center are not recovered through the pricing structure.

4. Petty Cash Funds (pages 17-18)

Petty cash reconciliations were not always performed. Annual cash counts of the funds are not documented.

COLUMBIA 93 SCHOOL DISTRICT  
BOONE COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

<b>1. Expenditures</b>
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- A. The school district does not always solicit bids or retain bid documentation for major purchases. While district employees indicated that in some instances bids were solicited through telephone quotes or other direct contacts with vendors, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor were not retained for some purchases.

The district's procurement policy requires that formal, written bids be obtained for all purchases which involve an expenditure of more than \$5,000. Price quotations may be required for expenditures of less than \$5,000, at the discretion of the Director of Business Services. The policy also requires a formal bid process for construction of facilities which may exceed \$12,500 as required by state law.

- 1) The following are examples of expenditures during the period from July 1997 through April 1999 for which the school district did not obtain bids or did not retain adequate bid documentation:

<u>Item</u>	<u>Cost</u>
Public relations services	\$60,622
1998 Jeep Sport Cherokee	20,957
Laptop computers	11,151

District personnel indicated prices were solicited from various vendors for some of the items; however, documentation of these inquiries was not maintained.

- 2) For the past three years, the district has simply renewed their contract for audit services, rather than rebid the contract. The district selected the current audit firm through a bid process in March 1994 and awarded the firm a three year contract to perform annual audits covering the three years ending June 30, 1996. Instead of conducting another bid process at the end of the three year contract, the district has continued to renew the contract with the firm through the 1998-99 school year audit. Payments made to the firm during the year ended June 30, 1998 totaled \$17,960. District employees indicated that procedures are to bid audit services every five years; however, this is not documented in the district's procurement policy.

- 3) The food services department received price quotes from numerous vendors for purchases made throughout the school year. During the year ended June 30, 1998, the district spent approximately \$1,989,000 for food services department supplies and food.

During our review, we noted items purchased by the food services department in which the lowest bidder was not used or the invoice price did not agree to the documented price quote. The Food Services Director has indicated that rebates were received on some of the items, or the items were not available from the lowest bidder; however, adequate documentation explaining these situation was not maintained.

Written documentation of bids provides evidence that the board has complied with its procurement policy. Bid documentation should include a list of vendors contacted, a copy of the bid specifications, copies of all bids received, justification for awarding the bid, and documentation of discussions with vendors. Bids may cover a specified time period, which should be adequately documented and justified. In addition, rebates received from vendors should be adequately documented and tracked to ensure the lowest price quote is paid. When the lowest bidder is not used, documentation justifying the selection of a different bidder should be maintained.

- B. The district has used the same architectural firm for construction projects for 17 years. Although the district selected the firm through a formal selection process, the district has continued to renew the contract with this firm without periodically conducting a selection process. District employees indicated that they have compared the architect's services and rates with other firms by contacting other school districts; however, documentation of these contacts has not been maintained. Payments to the firm for the year ended June 30, 1998, totaled approximately \$397,000.

The district has a policy for the selection of architectural services. The policy requires that the firms should be evaluated based on specified criteria including experience and technical competence, capacity and capability of the firm to perform the work in question, past record of performance, and the firm's proximity to and familiarity with the area in which the project is located. The district should periodically conduct this process to ensure it is receiving the best services and rates.

- C. The school district sometimes did not enter into written contracts defining services to be provided and benefits to be received.
  - 1) The district retains legal services from various law firms. For two of these firms, the district did not receive written price quotes or enter into a written agreement for these services. Payments to these two firms for services rendered during the 1997-98 school year totaled approximately \$119,000.

For the 1998-99 school year, the district has paid these companies approximately \$41,200 through April 29, 1999.

- 2) The school district contributes \$5,000 each year to the Boone County Teachers Credit Union to assist with its costs of serving the district's teachers. In addition to the annual payment, the district provides services to the credit union on a reimbursement basis, such as payroll and purchasing of supplies and postage. During the year ended June 30, 1998, the district was reimbursed approximately \$137,700 by the credit union. There is no written agreement between the credit union and the school district outlining the terms of this arrangement and specifying the services the district is to receive.

Article VI, Section 23, of the Missouri Constitution states that no political subdivision shall grant public money to any corporation or association. A written agreement is necessary to specify what services the district is receiving in exchange for the \$5,000 paid each year.

In addition, the district did not enter into a contract with the public relations firm noted at A. above. Written contracts, signed by the parties involved, should specify the services to be rendered and the manner and amount of compensation to be paid. Written contracts are necessary to ensure all parties are aware of their duties and responsibilities and to prevent misunderstandings. In addition, Section 432.070, RSMo 1994, requires contracts for political subdivisions to be in writing.

- D. The food services department issues purchase orders for food and supplies expenditures; however, the purchase orders are not issued and approved prior to placing the order. The school district has established formal payment procedures, requiring that approved purchase orders be written for every purchase. The food services department should ensure approved purchase orders are issued prior to ordering food and supplies.

**WE RECOMMEND** the School Board:

- A. Retain documentation of bids received and the bid process. Policies should indicate how often bids should be obtained for certain services. In addition, if the low bidder is not used, rebates are received, or substitutions are made; the district should retain documentation of these circumstances.
- B. Periodically solicit and document proposals for architectural services.
- C. Enter into written agreements with all parties that clearly detail the services to be performed and the compensation to be paid or benefits received.
- D. Require purchase orders be prepared and approved in advance.

## AUDITEE'S RESPONSE

A. *The district has specific policies and procedures regarding bidding. However, occasionally, it may be more effective and efficient to make an exception to established policies and procedures. In the future, documentation and justification of exceptions to established policies and procedures will be retained. Price quotations received for items costing less than \$5,000, the minimum for formal bidding, will be retained in the office of the district's purchasing agent.*

- 1) *The district does not formally bid public relations services, but rather has established a long-term relationship with one professional who is evaluated similarly to other consultants of the district in terms of quality of service and reasonable pricing of services. Price quotes are submitted annually from the provider to the district and projects are occasionally handled by other providers of such services. This helps district staff to verify quality and pricing. A satisfactory evaluation is evidenced by the continuation of the relationship.*

*The district has traditionally received informal quotations for vehicles for the Superintendent when issues such as immediate delivery and personal preferences are involved. Price quotations for the 1998 Jeep Cherokee Sport were obtained, but not retained, from other Jeep dealers prior to purchase. Additionally, prices were obtained for the model of Buick driven by past superintendents, and these prices were higher than the quote for the Jeep Cherokee Sport. With this competitive pricing information, the price was further negotiated with the local Jeep dealer in determining the eventual price paid for this vehicle.*

*The district purchased three laptop computers, at a reduced price, following board authorization. The selection of the vendor was based on established district standards for laptop computers. This particular brand of laptop was available from two sources at the time of purchase: direct from the manufacturer; or, by purchasing through the vendor with the state purchasing contract for this brand of laptop computer. The district checked prices with these sources and elected to purchase direct from the manufacturer at a reduced price, rather than use the state purchasing contract. In addition, the reliability of the vendor and satisfaction with the warranty and maintenance of equipment were justification for this purchase.*

- 2) *The district has routinely bid audit services for a three-year period, and if services were satisfactory, extended the service contract for an additional two years by action of the Board of Education. Auditors develop a working knowledge of school district procedures and operation, which allows for a more efficient audit and is less time-consuming for both the independent auditors and district staff.*

*Audit services are scheduled to be bid this school year for the audit of the period ending June 30, 2000. The Request for Proposals for audit services will be changed to reflect the district's practice of awarding audit services for a five-year period.*

- 3) *Due to the specialized nature of the food service business, the Food Services Department requests, and receives, price quotations for its own departmental goods and services. The food services staff members possess the expertise and first-hand knowledge of the unique requirements of this department. The Business Office and Purchasing Agent will work with the Director of Food Services in an effort to more effectively handle documentation of bidding and retention of documentation.*

*The situations identified in the State Auditor's report address relatively minor cost differences which were impacted by items not being available from the low bidder or which involved the use of rebates. However, adequate documentation was not retained for these situations. The Food Services Department has already taken corrective action to improve documentation in the areas of concern.*

- B. *The district selected the services of its current architect following a formal selection process. The district annually evaluates the services of the architect in terms of quality of service and reasonable pricing of services. In addition, district personnel make informal contacts with other school districts and organizations on an ongoing basis to verify market rates for these services. A satisfactory evaluation is evidenced by the continuation of the relationship with the architect.*

*The district will formalize its evaluation of its primary consultants, including its architect. The district will document its process of periodically contacting other school districts and organizations for verification of market rates and services.*

- C. *The district maintains several relationships with consultants, or service providers, in specialized areas. These consultants, or service providers, were selected for their particular expertise in a special field, such as public relations, special education law, and personnel and employee benefits. These relationships have developed and been maintained over a long period of time due to the exceptional services provided the district.*

*The district will formalize the services being provided in these circumstances through written agreements, outlining fees and services.*

- 1) *The district retains legal services from four law firms. Two firms, provide services to the district as a result of a selection process, and the services are outlined in written agreements. Two additional firms provide services to the district in very specialized areas. One firm represents the district on special education issues, and the other firm provides counsel concerning personnel and employee benefits. These firms are used less frequently in dealing with specific issues in the areas indicated.*

*Significant payments have been made to the firm handling special education issues in the last 12 to 18 months due to one case. However, insurance coverage partially offset the total expenses and the insurance company negotiated the fee for this case.*

*The services provided and fees charged by these firms will be formalized by written agreement.*

- 2) *The Boone County Teachers Credit Union has been in existence for approximately 60 years. It was organized by employees of the district for the benefit of district employees and was operated entirely within the district's business office as an additional function, or service, of the business office. This arrangement was followed for approximately the first 50 years of the Credit Union's existence. However, due to the growth of the Credit Union in the late 1980's and the increasing time and space requirements of the Credit Union, it was difficult to maintain its operation within the business office. The Credit Union moved to a separate location and is self-sufficient in its operations.*

*The district continues to contribute a minimal amount (\$5,000) annually to the Credit Union for its operations due to the benefit provided to district employees. Such arrangements are common between organizational sponsors and credit unions, and contributions may be as much as 100 percent of the credit union's operating cost.*

*The district will formalize its relationship with the Boone County Teachers Credit Union by a written agreement.*

- D. *The district currently requires purchase orders to be prepared and approved in advance of purchases, with the exception of certain purchases handled by the Food Services Department. This exception is due to the volume of purchasing in this department on a daily basis. It is often necessary to change an order or order from another vendor when food items are either not available or not available in the necessary quantities. This type of purchasing does not lend itself to issuance of purchase orders, with multiple levels of approval.*

*The district will review the purchasing process of the Food Services Department and implement this recommendation whenever possible. Allowable exceptions to standard district policies and procedures will be documented to avoid the appearance of noncompliance.*

<b>2. Transportation Services</b>
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The school district contracts with a transportation company to provide bus transportation for its students. During the year ended June 30, 1998, the contractor served 304 routes traveling approximately 11,500 miles per day in addition to providing transportation for other district activities such as sporting events and field trips. During this time period, payments totaling approximately \$3,800,000 were made to the transportation company. We noted the following areas of concern during our review of this contract:

- A. The transportation contract has not been bid since 1979. The district has periodically renegotiated a contract with the transportation company, without seeking bids from other companies. The current transportation contract covers school years 1996-97 through 2000-01. Without periodically bidding transportation services, the district cannot ensure it is paying the lowest possible rate.
  
- B. Prior to contracting transportation services, the district owned and operated its own transportation system. Since changing to a contracted bus system, the district has not formally evaluated the costs and benefits of owning its system versus contracting for the services. Recently, a group of University of Missouri MBA students performed an informal analysis of the district's current transportation system. Their evaluation indicated that by changing to an in-house system, the district would save money. The district indicated this analysis was unsolicited and was only an initial step in the process to set up a model to use in further evaluation and that the analysis was not accurate in several respects. The district, however, has not performed a complete evaluation of this analysis or their current transportation situation. Regular review and comparison of transportation services and costs is necessary to ensure that the district is providing transportation at the lowest possible cost.
  
- C. Adequate procedures are not in place to monitor transportation costs. As required by contract, the district compensates the bus company based on the number and size of buses used during the day. The daily per-bus rates for the year ended June 30, 1998 ranged from approximately \$145 to \$167 for regular bus routes.

The district delegates the responsibility of preparing the bus routes to the transportation company and the school board approves the route listings at the beginning of the school year. The district is required by the Missouri Department of Elementary and Secondary Education to take a count of students transported on the second Wednesday of October and February during the school year. We reviewed seven 1998-99 school year bus routes, comparing the number of riders counted by the district on February 10, 1999 to the manufacturer's rated capacity for the buses. Our review noted several routes in which the number of riders assigned to the buses and the number of actual riders on the count day were significantly lower than bus capacities.

<u>Route Number</u>	<u>Bus Capacity*</u>	<u>Assigned Riders</u>	<u>Actual Riders</u>
3A	71	60	34
3B	84	70	43
14A	60	47	41
14B	71	44	27
60A	60	37	16
60B	71	32	30

- \* Bus capacities for secondary students were adjusted to 85 percent of full capacity which is the maximum set by the contract with the transportation company.

The district has noted various reasons for a low ridership compared to bus capacity. These reasons include: similar route itineraries and locations are used for elementary and secondary students, thus a larger bus may be needed for one route than the other; a smaller bus capacity is used for secondary routes, assigning two students to a seat rather than three; and the contractor has a limited supply of smaller buses available for transporting the students. As a result of our review, the district reduced route numbers 3A and 3B to a 71 capacity bus rather than an 84 capacity bus.

While the district has begun the process of developing procedures to review and monitor bus routes, the district should continue this process to ensure all bus routes are operating efficiently. Specific routes with low ridership should be reviewed and investigated to identify any areas where costs can be reduced such as decreasing the size of the bus.

**WE RECOMMEND** the School Board:

- A. Regularly solicit competitive bids for the transportation contract.
- B. Perform a cost analysis of owning versus contracting transportation services and identify a system with the best cost-benefit for the district.
- C. Conduct a thorough evaluation of the bus routes and determine ways to increase efficiency and reduce costs.

**AUDITEE'S RESPONSE**

- A. *The district operation of student transportation services was discontinued in 1976 due to an aged bus fleet and a management team that was unable to satisfactorily meet the demands of a service-oriented district. Since that time, the district has contracted for student transportation services with professional student transportation companies, bidding the services on two occasions. Services obtained from the first contractor were not satisfactory and a second bid process was necessary to obtain services that have been relatively satisfactory over the years. On an ongoing basis, district administrators have followed costs of student transportation using extensive statistical information from the state school transportation office and through contacts with other school districts. This has resulted in renegotiation of contracts believed to reflect the lowest possible cost for the services required.*

*The district has believed that once satisfactory services and relationships have been established with a transportation company, it may be more cost-effective to knowledgeable and strategically negotiate additional contracts with the established company. Engaging in*

*a bid process may allow the current contractor to submit a bid price higher than the negotiated price, but lower than other bidders, knowing that new companies must submit bid prices which reflect start-up costs that include a new fleet of 150 or more buses, management teams, driver employees, a bus maintenance shop, and other considerations that could inflate bid prices. It may also be difficult and unnecessary to experience the disruption of an established and refined system without being reasonably certain that significant savings and similar or better quality will be realized in the process. A new contractor may require several years to become acquainted with the makeup, needs, and expectations of the district and its patrons.*

*In 1995, the district entered into a new contract with the current contractor which extends through the 2000-01 school year. The board has expressed its intention to bid the contract for student transportation services if the district continues to contract these services.*

- B. During the fall of the past school year, the district began informal/preliminary discussions of the advantages and disadvantages of operating a district-owned transportation system as opposed to contracting with an outside provider. During the upcoming school year the district will continue these discussions, acquiring up-to-date costs and other pertinent information which is as current as possible and, therefore, as useful as possible. This will allow the board to consider the results of the analysis in any decision it makes regarding student transportation.*
  
- C. The school district hired a Director of Transportation, effective August 1998, for the purpose of working closely with and monitoring the procedures of the transportation company. At this time, a formalized monitoring system, piloted during the past year, will allow the transportation director to monitor efficiency in a much-improved manner. During the past school year, it was possible to reduce the number of buses by 7.5 as well as the size of two buses as a result of such monitoring.*

*Six bus routes were identified by the auditors as having significantly lower ridership on a specific day than bus capacities would allow. The transportation contract requires that routes be designed so that no student rides more than one hour. The contract also stipulates that routes for grades 8-12 be assigned passengers at 85 percent of their listed capacity. The six routes referenced by the auditor were for Lange Middle School, Oakland Junior High School, Parkade Elementary School, and Cedar Ridge Elementary School, schools where buses pick up students in the district's more rural areas. In a specific check of the six routes, it was found that more students could not be added to these buses without causing some students to ride more than the one hour limit. In the case of routes 3A and 3B, it was possible to reduce the capacity of buses being used for 84 passengers to 71, a savings of \$8 per day for each bus. The district will continue to develop and use monitoring procedures on an ongoing basis which ensure maximum cost effectiveness.*

<b>3. Copy Center Accounting Procedures</b>
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The school district operates a copy center which provides various copying and printing services to the district as well as to school related organizations such as the Parent Teacher Associations. The copy center operates on a cost recovery basis and the various departments and organizations are charged based on the type and volume of services received.

The district does not include all operating costs in the cost recovery calculation. Each year the district determines the copy center rates based on the cost of supplies and equipment lease payments. Salaries and benefits totaling approximately \$46,600 are not included in the calculation. In addition, the depreciation expense of equipment owned by the district is not calculated and included in the rate calculation. As a result, the copy center does not operate on a break even basis. For the year ended June 30, 1998, copy center expenditures exceeded revenues by approximately \$36,900.

To ensure the district does not incur a loss from copy center services, the rate calculation should include all operating costs of the copy center including salaries, benefits, and depreciation.

**WE RECOMMEND** the School Board perform an analysis of all costs associated with the copy center and ensure the rates charged cover all operating costs.

**AUDITEE'S RESPONSE**

*Originally, the copy center was part of the district's vocational program until student interest and state funding became insufficient to maintain the program. At that time, the district continued operation of the copy center for district purposes as an alternative to the often higher costs of outside print services.*

*The operation of the copy center was never intended to recover all costs of operation. Rather, it was to provide an offset of direct operational expenses (services and supplies) and, with a district subsidy to partially offset indirect expenses (salaries and benefits), the end result was to be an overall savings for the district for printing and copying. The operation of the copy center is limited to departments of the district and related groups (related groups include Parent-Teacher organizations, employee groups, etc., and account for less than six percent of operations during fiscal year 1998-99). The amount of the subsidy was increased, intentionally, in recent years as an incentive for departments and schools to use the copy center rather than outside vendors.*

*The district will periodically review and analyze the operations of the copy center to ensure the district is realizing a savings by its operation. If so, the district will document its position of whether this is an enterprise activity or service activity, with a partial offset of operating expenses.*

<b>4. Petty Cash Funds</b>
----------------------------

Various schools and offices within the district maintain petty cash funds ranging from \$100 to \$2,500. Reimbursements to these petty cash funds for the year ended June 30, 1998,

totaled approximately \$128,500. Our review of the district's petty cash funds noted the following areas of concern:

- A. As required by the district's written petty cash procedures, the petty cash funds are replenished on an imprest basis back to the established fund balance on a periodic basis. To document that the funds are maintained on an imprest basis, each petty cash secretary prepares a reconciliation of the cash remaining, outstanding vouchers, and paid vouchers to the petty cash account balance. This reconciliation is prepared and submitted to the business office along with the reimbursement form and invoices when requesting a reimbursement to the petty cash fund.

Our review of petty cash reimbursements noted several instances in which the petty cash reconciliation had not been performed and submitted to the business office. As a result, there was no documentation supporting the petty cash balance. Maintaining petty cash funds on an imprest basis helps ensure the money is handled properly.

- B. Business office staff indicate they perform annual year-end cash counts of the petty cash funds; however, these cash counts are not performed on a random basis and are not documented. Periodically, the fund should be counted and reconciled to the imprest balance by an independent person to ensure the funds are being accounted for properly, to detect any errors, and to prevent these monies from being misused.

**WE RECOMMEND** the School Board:

- A. Ensure petty cash reconciliations are performed and submitted to the business office with each petty cash reimbursement request as required by district policy.
- B. Perform random cash counts on petty cash funds and maintain documentation of these cash counts.

**AUDITEE'S RESPONSE**

- A. *The district's procedures require that a petty cash reconciliation form be prepared and submitted with the request for petty cash reimbursement. Exceptions to this requirement were noted during the time period reviewed by the State Auditor's office. These exceptions were the result of a change in personnel handling petty cash and a misunderstanding that the reconciliation form is to be submitted as part of the documentation for reimbursement.*

*Personnel handling petty cash transactions in the district have been reminded of district procedures for petty cash. In addition, personnel reviewing petty cash reimbursements now include the petty cash reconciliation form as part of their routine review. However, it should be noted that the district requires extensive documentation and approval of petty cash disbursements. The reconciliation form is only a minimal part of the internal control procedures for petty cash transactions.*

- B. *The business office routinely reconciles petty cash accounts as a part of the district's year-end closing procedures. The business office will increase the number of reconciliations it performs on a random basis, dependent on the size and activity of the account. Documentation of these petty cash counts/reconciliations will be maintained.*

This report is intended for the information of the school board and district's management. However, this report is a matter of public record and its distribution is not limited.

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