



REORGANIZED SCHOOL DISTRICT NO. 1
OF MONTEAU COUNTY
MONTEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
YEAR ENDED JUNE 30, 2000

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

Report No. 2001-01
January 3, 2001
www.auditor.state.mo.us

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

December 2000

www.auditor.state.mo.us

The following problems were discovered as a result of an audit conducted by our office of the Reorganized School District No. 1 of Moniteau County.

The School District received bequests from two estates from 1996 through 1998. The only restriction placed on the gifts by the estate bequests was that the school board approve all project funding. Expenditures exceeded the board's approved amount or the board did not set an approved amount for some projects. In addition, the school district's accounting records did not include all of the estate monies. A \$100,000 certificate of deposit and an investment account valued at \$80,300 at June 30, 2000, were not included in the accounting records. Also, the interest earnings were not properly allocated to the estate monies. Four interest payments totaling \$5,440 from the certificate of deposit were not credited to the estate monies.

At the time the school district's swimming pool was built, the school district entered into an agreement with the City of California to open the pool to residents during the summer and non-school hours. The city agreed to contribute \$10,000 each year to help with the costs of maintaining and operating the facility. However, this agreement expired in July 1995, and the city has not paid any additional monies since that time. The admission fee of \$2 per person per day and the rental charge for private parties of \$45 per hour does not cover the cost of operation during the summer. During summer operations, the school district lost approximately \$11,600 and \$12,600 during 2000 and 1999, respectively. This does not appear to be a prudent use of school district monies. Tax dollars which have been earmarked for education should not be used to offset losses in the operation of a public swimming pool.

The School District Board discussed items in closed session that were not allowed to be discussed under the provisions of the Sunshine Law. These included bus rates, greenhouse bids, bequests from citizens and companies, and budget revisions.

The school district's central office receives cash and checks from various sources on a daily basis. The largest source of these receipts is from the cafeteria. For the two years ended June 30, 2000, over-the-counter receipts from the cafeteria were approximately \$440,000. The receipts are usually transmitted to the central office the day of the receipt or the next day. The receipts are not deposited intact. Also, the receipt slips are not reconciled to the composition of the bank deposits. According to the cafeteria manager, the cafeteria does not compare actual meals served to receipts. A periodic review is necessary to ensure that the district is receiving all cafeteria receipts.

(over)

YELLOW SHEET

The district has used the same engineering firm since 1989. In May 2000, the district renewed the agreement with this firm until December 2001 without considering services from other vendors as required by state law. The agreement requires the school district to use the firm on all major construction projects.

The district does not have formal written bidding policies and procedures for non-capital expenditures. The decision of whether to solicit bids for a particular purchase is made on an item by item basis. The school district did not solicit bids or did not maintain adequate bid documentation for computers costing approximately \$60,000 or football uniforms and equipment costing more than \$11,000.

The school district has not established adequate records to account for district property. Also, the district's inventory procedures and the district's procedures for the disposal of fixed assets are not adequate.

REORGANIZED SCHOOL DISTRICT NO. 1
 OF MONTEAU COUNTY
 MONTEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI

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CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
Reorganized School District No. 1
of Moniteau County
California, MO 65018

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Reorganized School District No. 1 of Moniteau County. The school board had engaged Evers and Company, Certified Public Accountants (CPAs), to perform an audit of the district for the year ended June 30, 2000. 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, 2000. The objectives of this audit were to:

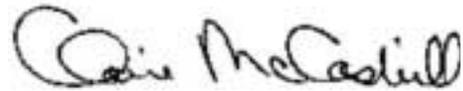
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could 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 the 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 Reorganized School District No. 1 of Moniteau County.



Claire McCaskill
State Auditor

August 28, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Karen Laves, CPA
Audit Manager:	Alice M. Fast, CPA
In-Charge Auditor:	Lonnie Breeding III
Audit Staff:	Elizabeth Kemple

HISTORY AND ORGANIZATION

REORGANIZED SCHOOL DISTRICT NO. 1 OF MONITEAU COUNTY
 MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
 HISTORY AND ORGANIZATION

The Reorganized School District No. 1 of Moniteau County is located in California, Missouri and covers approximately 122 miles within Moniteau, Cooper, and Cole Counties.

The district operates one senior high school (9-12), one middle school (6-8), one elementary school (K-5), and one alternative learning school (5-12). Enrollment was approximately 1,324 for the 1999-2000 school year. The district employs approximately 176 full and part-time employees, including 6 administrators, 119 teachers and instructional support staff, and 51 support staff.

The Reorganized School District No. 1 of Montieau County 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, 2000, and their current terms of office were:

<u>Name and Position</u>	<u>Current Term Expires</u>
Gene Haile, President (1)	April 2001
Brian Scrivner, Vice President	April 2002
Mark Kunze, Member	April 2002
Linda Reichel, Member	April 2001
Van Adams, Member	April 2002
Paul Bloch, Member (2)	April 2003
David Sparks, Member (3)	April 2003
	<u>Annual Compensation</u>
<u>Other Principal Officials</u>	
Ron Harlan, Superintendent (4)	\$74,000
Dr. Norman Rohrbach, High School Principal	58,000
Kimberly Alvers, Middle School Principal	48,000
Susan Williams, Elementary School Principal	50,000

- (1) Elected board President in April 2000; replaced Mark Kunze.
- (2) Elected to the board in April 2000; replaced Mike Robertson.
- (3) Elected to the board in April 2000; replaced Bob Rugen.
- (4) Resigned June 30, 2000; replaced by Douglas Ebersold.

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

	<u>2000</u>	<u>1999</u>
Assessed Valuation	\$54,456,766	\$48,900,977
Tax Rate	3.52	3.52

MANAGEMENT ADVISORY REPORT

REORGANIZED SCHOOL DISTRICT NO. 1 OF MONITEAU COUNTY
MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
SUMMARY OF FINDINGS

1. Estate Bequests (Pages 9-10)

Expenditures from restricted monies received from two estates exceeded board approval and sometimes board approval did not set an actual spending limit. Some of the monies have not been included in the district's accounting records and some interest revenue was not properly allocated to these funds.

2. Expenditures (Pages 10-12)

The district is paying approximately \$15,970 a year for an alternative, more expensive insurance coverage for employees. The district has not solicited proposals from engineering firms since 1989. The district has adopted a purchase order policy; however, the policy is not always followed. Although the district has an expense reimbursement policy, the policy is not followed. The district has an employee appreciation dinner each year which does not appear to be a prudent use of tax revenue.

3. Swimming Pool (Pages 12-13)

The operation of the pool for public use has resulted in losses of approximately \$11,600 and \$12,600 for the years ended June 30, 2000 and 1999, respectively.

4. Accounting Policies and Procedures (Pages 13-15)

The school district does not adequately review accounting entries. The central office does not deposit receipts intact and receipt slips are not reconciled to the composition of bank deposits. Accounting duties are not properly segregated within the central office. The district's fund raising policy needs to be improved and improvements are needed in controls over vending machine receipts.

5. Bidding (Page 16)

The school district does not have a bid policy for significant purchases.

6. Transportation Costs (Pages 16-17)

Until 2000, the school district had not bid transportation services since 1989. The district does not have a system to adequately track fuel costs.

7. Board Minutes (Pages 17-18)

The School Board has discussed issues in closed meetings which do not appear to be allowed by state law. Board minutes are not signed in a timely manner.

8. General Fixed Assets (Pages 18-19)

The school district has not established adequate records to account for district property and the district's inventory procedures are not adequate. The district does not have adequate procedures for the disposal of fixed assets.

REORGANIZED SCHOOL DISTRICT NO. 1 OF MONITEAU COUNTY
 MONITEAU COUNTY/COOPER COUNTY/COLE COUNTY, MISSOURI
 MANAGEMENT ADVISORY REPORT -
 STATE AUDITOR'S FINDINGS

1. Estate Bequests

The School District received bequests from two estates from 1996 through 1998. The only restriction placed on the gifts by the estate bequests was that the school board approve all project funding. The following list details the amount initially received, interest revenue, and expenditures through June 30, 2000:

Initial proceeds	\$	271,265
Interest revenue		32,890
Football field improvements		(38,930)
Greenhouse/classroom		(32,779)
Library		(20,755)
Band instruments		(17,396)
Choir robes		(15,593)
Engineering study		(10,620)
Miscellaneous		<u>(275)</u>
Balance at June 30, 2000	\$	<u><u>167,807</u></u>

A. Expenditures exceeded the board's approved amount or the board did not set an approved amount for some projects. The board approved the use of \$29,000 for football field improvements. However, actual expenditures were \$38,930. In addition, the board's approval did not set a spending limit on the greenhouse/classroom project. The board simply approved the use of estate monies for any expenditures in excess of the grant monies received. The estimated total cost to be paid from the estate monies for this project is \$89,700.

Good management practices dictate limits be placed on expenditure approvals, and those limits not be exceeded without additional approval by the board.

B. The school district's accounting records do not include all of the estate monies. Monies held in the school's money market account are included in the accounting records; however, a \$100,000 certificate of deposit and an investment account valued at \$80,300 at June 30, 2000, were not included in the accounting records. Not including all monies in the accounting records can lead to inaccurate reports to the school board. It is imperative that all monies be recorded in the district's accounting records to ensure that all district resources are accounted for properly.

- C. Interest earnings were not properly allocated to the estate monies. Four interest payments totaling \$5,440 from the certificate of deposit were not credited to the estate monies. Subsequently, the district reviewed interest earnings and determined that an additional \$12,106 should be credited to the estate monies. The proper allocation of interest revenue on a monthly basis is necessary to ensure that all restricted monies receive their fair share of interest revenue.

WE RECOMMEND the School Board:

- A. Monitor restricted use funds more closely in the future. In addition, the board should consider setting spending limits as a part of their approval.
- B. Require all monies be recorded within the school district's accounting records.
- C. Require interest revenue be allocated correctly each month.

AUDITEE'S RESPONSE

- A. *A spending limit will be established on all future expenditures made from gifts and donations. The district will ensure the limit is not exceeded without Board approval.*
- B. *This recommendation was implemented as of July 1, 2000.*
- C. *District employees have reviewed interest calculations for estate monies through June 30, 2000. This issue is resolved and necessary transfers will be made within two months. As of July 1, 2000, interest earnings have been allocated on a monthly basis.*

2. Expenditures

- A. The school district pays the medical insurance costs of all full-time employees and the prorated costs for all part-time employees. Medical insurance costs for the 2000-2001 school year are estimated to increase \$47,800 or 17.25 percent from the prior year. Under the insurance program, school district employees are given two different options: a Health Maintenance Option (HMO) or a Preferred Provider Option (PPO). The school district pays the premiums under both options even though the cost of the PPO is approximately \$28 more per employee per month. The additional PPO cost to the district is approximately \$15,970 per year. The school district should consider requiring school district employees pay the difference between the HMO and PPO cost when the employee selects the PPO option.
- B. The district has used the same engineering firm since 1989. In May 2000, the district renewed the agreement with this firm until December 2001 without considering services from other vendors as required by Sections 8.289 and 8.291, RSMo 1994. The agreement requires the school district to use the firm on all major construction

projects. The most recent payment to this firm was in November 1993 for the new high school. These statutes require that at least three firms be considered when obtaining engineering services for any capital improvement project. Any political subdivision that utilizes engineering services should encourage engineering firms to annually submit a statement of qualifications and performance data. The firms should be evaluated based on specific 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.

- C. The district adopted a purchase order policy in January 2000. The policy requires purchase orders to be prepared and approved on almost all purchases in excess of ten dollars. However, the policy is not always followed. Some purchase orders were not properly approved, some purchases exceeded the amount of the purchase order, and some purchases did not have purchase orders. To ensure the obligation was actually incurred and properly approved, all expenses should be supported by properly approved purchase orders and purchases in excess of purchase orders should not be allowed.
- D. The district has an expense reimbursement policy requiring all employees to submit a monthly reimbursement request with documentation supporting each expenditure; however, this policy is not always followed. Some reimbursements covered three months or more and/or did not include all the supporting documentation. Timely reimbursement requests ensure all expenses are charged to the proper accounting period and adequate documentation is necessary to determine the propriety of the expense.
- E. In May 2000, the district paid \$1,365 for an annual employee appreciation dinner. The school district invited all employees and a guest of each employee to the dinner. This disbursement does not appear to be a necessary or prudent use of public funds. The district's residents have placed a fiduciary trust in their public officials to spend tax revenues in a necessary and prudent manner.

WE RECOMMEND the School Board:

- A. Consider requiring school district employees pay the difference between the HMO and PPO cost when the employee selects the PPO option.
- B. Periodically solicit and document proposals for engineering services as required by state law.
- C. Require the purchase order policy adopted by the school board be followed and ensure expenditures not exceed the amount of the purchase orders.
- D. Require the expense reimbursement policy adopted by the school board be followed.

- E. Ensure expenditures are limited to prudent uses of public funds.

AUDITEE'S RESPONSE

- A. *The Board of Education discussed insurance benefits during the spring of 2000. Part of the discussion centered on paying the same premium for school district employees whether they take the HMO or PPO option. This will again be a major area of discussion during the spring of 2001 in negotiating salaries with staff.*
- B. *The architect in question does not receive payment for his services unless a bond issue passes. We have used the architect for a variety of projects since 1993 of which he has received no monetary compensation. When the present contract expires in December 2001, we will solicit proposals from other vendors.*
- C. *The district has taken a hard stance on making purchases without purchase orders. We have virtually eliminated this practice to date. More effort has been made to determine an accurate pricing before the purchase order is signed.*
- D. *As of July 1, 2000, all employees are to turn in their monthly reimbursement sheets between the conclusion of each month and before the fifteenth of the following month to receive reimbursement. This information was distributed to staff in July along with monthly reminders and has been followed during the 2000-01 school year.*
- E. *The Board of Education feels strongly about showing appreciation to our staff for a job well done. Other funding sources (outside of taxpayer dollars) will be pursued in the future to continue this practice.*

3. Swimming Pool

At the time the school district's swimming pool was built, the school district entered into an agreement with the city of California to open the pool to residents during the summer and non-school hours. The agreement stipulated that the city would annually contribute \$10,000 to help with the costs of maintaining and operating the facility. This agreement expired in July 1995 and the city has not paid any additional monies since that time.

The school district charges the public an admission fee of \$2 per person per day and the pool can be rented for private parties at a rate of \$45 per hour. However, these revenues are not enough to cover the cost of operation during the summer. During summer operation, the school district has lost approximately \$11,600 and \$12,600 during 2000 and 1999, respectively. This does not appear to be a prudent use of school district monies. Tax dollars which have been earmarked for education should not be used to offset losses in the operation of a public swimming pool.

It appears that although the Superintendent and the school board were aware of the problem, they had not achieved a solution.

WE RECOMMEND the School Board review the matter and raise fees and/or seek additional funding from other sources.

AUDITEE'S RESPONSE

The school district has traditionally operated the pool during the summer as a service to the community. The fact that the pool was losing money during the summer had been discussed at prior Board meetings. However, the Board felt that the benefit to the community outweighed the costs. The School Board will review options before next summer concerning the operation of the pool. Options may include raising the fees, seeking additional funding sources or closing the pool for the summer. If funds cannot be raised to offset the cost of operation during the summer, serious consideration will be given to closing the pool between June and August.

4. Accounting Policies and Procedures
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- A. The school district does not adequately review accounting entries to ensure errors are corrected on a timely basis and adjustments are adequately documented. Because of this, several reclassifications and adjustments were required at year end. Monthly reviews of accounting entries and adjustments should be performed so discrepancies can be discovered and corrected in a timely manner.

The prior CPA report also recommended that the district improve procedures for reviewing transactions reported on the district's financial records. The financial records are used to prepare the Annual Secretary of the Board Report (ASBR) which is the district's primary financial report and is used to make funding decisions by the state Department of Elementary and Secondary Education (DESE).

- B. The school district's central office receives cash and checks from various sources on a daily basis. The largest source of these receipts is from the cafeteria. Cafeteria receipts are usually transmitted to the central office the day of the receipt or the next day. For the two years ended June 30, 2000, over-the-counter receipts from the cafeteria were approximately \$440,000. The central office also receives monies from fund raising activities, as well as from other sources. The following concerns were noted:

- 1) Receipts are not deposited intact. Some monies are withheld from deposit for use as change at sporting events and other activities. In addition, coins are usually withheld until these monies can be counted and rolled. To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, receipts should be kept in a secure location and deposited intact daily or when accumulated receipts exceed \$100.

- 2) Although, receipt slips indicate the method of payment (cash, check, or money order), the receipt slips are not reconciled to the composition of the bank deposits. To ensure that all receipts have been recorded properly and deposited intact, the receipt slips should be reconciled to the composition of the bank deposits.
 - 3) According to the cafeteria manager, the cafeteria does not compare actual meals served to receipts. A periodic review is necessary to ensure that the district is receiving all cafeteria receipts.
- C. One employee is responsible for recording financial transactions and reconciling the bank accounts. To safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating, to the maximum extent possible, the duties of recording transactions and reconciling the bank accounts. If a proper segregation of duties cannot be achieved, at a minimum, there should be a documented independent review of the bank reconciliation and the comparison of receipt slip composition to deposits.
- D. According to the sponsors, fund raising receipts were estimated to be \$33,700 and \$37,300 for the years ended June 30, 2000 and 1999, respectively. These revenues represent fund raising activities by students and their sponsors and do not include donations and fund raising activities from outside sources, such as the Parent Teacher Association (PTA). The school district's fund raising policy does not require the sponsors to report receipts and disbursements from each fund raiser. As a result, the district does not review the reasonableness of receipts and expenses, and identify which fund raising activities are successful and which ones are not.
- E. The district operates several soda and vending machines throughout the various school buildings. Receipts from the machines were approximately \$16,600 and \$10,900 for the years ended June 30, 2000 and 1999, respectively. District employees are responsible for replenishing the machines and emptying the change from the machines on a periodic basis. These monies are turned over to designated individuals in the central office who count and deposit these monies.

An independent party does not periodically reconcile the amount of soda and other items purchased and remaining in inventory with receipts from the sale of the soda and other items. Failure to reconcile monies received to items sold could result in the loss or misuse of funds not being detected.

WE RECOMMEND the School Board:

- A. Ensure accounting entries and adjustments are reviewed on a monthly basis to ensure accuracy.

- B.1. Ensure receipts are deposited intact daily or when accumulated receipts exceed \$100.
 - 2. Require receipt slips issued by the central office be reconciled to the composition of bank deposits.
 - 3. Require a periodic review of cafeteria revenue as compared to actual meals served.
- C. Segregate accounting duties. If proper segregation cannot be achieved, a supervisor independent of the accounting function should perform a documented review of the bank reconciliation and the comparison of receipt slip composition to deposits.
- D. Require fund raising sponsors to report the receipts and disbursements from each fund raising activity. In addition, the district should review these reports for reasonableness.
- E. Ensure independent reconciliations of soda and vending machine monies received to items purchased and remaining in inventory are performed.

AUDITEE'S RESPONSE

- A. *The district has hired additional office staff to help with the accounting functions. The district has also taken steps to ensure that all accounting entries are documented and reviewed on a monthly basis.*
- B.1. *As of September 21, 2000, all receipts are deposited intact daily or when receipts exceed \$100. In addition, the district established a separate change fund for use with gate and concession boxes for sporting events and other activities.*
 - 2. *This recommendation has been implemented.*
 - 3. *The district will implement a policy by April 2001 for periodically reviewing cafeteria revenue compared to actual meals served.*
- C. *The district has hired an additional office staff person and is segregating accounting duties to the greatest extent possible. The Superintendent will review the bank reconciliation and perform periodic comparisons of receipt slips to deposits.*
- D. *The district has proposed a policy for the approval, accounting and reporting of fund raising activities. The policy will be implemented in January 2001.*
- E. *The district will implement appropriate policies and procedures for monitoring vending machine revenues by April 1, 2001.*

5.**Bidding**

The district does not have formal written bidding policies and procedures for non-capital expenditures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Although the school district did solicit bids for many purchases, inadequate bid documentation was retained for the following purchases:

Computers	\$60,886
Football uniforms and equipment	11,325
High school year books	7,175
Backhoe services	5,210
Alternative Learning Center's windows	4,500

In addition, the greenhouse concrete work was not awarded to the lowest bidder and there was no documentation of why the bid was awarded to the higher bidder.

Formal bidding procedures for major purchases would provide a framework for economical management of the district resources and help assure the district that it receives fair value by contracting with the lowest and best bidder. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the district's business. Not only can bids be obtained by telephone quotation, but bids can also be obtained by written quotation, by sealed bid, or by advertised sealed bid. Various approaches are appropriate, based upon the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

WE RECOMMEND the School Board establish formal bidding policies with provisions for documentation of the justification for selecting and rejecting bids.

AUDITEE'S RESPONSE

The district will develop formal bidding policies for major non-capital expenditures that coincide with state statutes. The policies will be introduced and implemented by April 2001. All bids solicited and received will be documented for future reference. The district will select the lowest bid unless product or services are not acceptable. Justification will be given publicly for rejecting the low bid. (Clarification – A Board member did not provide the backhoe services identified.)

6.**Transportation Costs**

The school district contracts with a transportation company to provide bus transportation for its students. During the year ended June 30, 2000, the contractor served 10 routes traveling approximately 776 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 \$259,250 were made to the transportation company. The following areas of concern were noted:

- A. Since 1993 the district has contracted with the same bus company for services without seeking bids. For the 2000-2001 school year transportation services were bid and the contract was awarded to a new company. Competitive bidding provides a framework for economical management of the school district's resources and helps assure the district that it received fair value by contracting with the lowest and best bidder.
- B. The district does not have an adequate system to control and monitor fuel purchases. Fuel is purchased by bus drivers using a fuel card and the charges are not tracked by bus or by bus driver. The district should require the fuel company to provide a detailed billing statement by bus and/or bus driver. Without a detailed billing statement, the district has no means to ensure fuel costs are proper and reasonable.

WE RECOMMEND the School Board:

- A. Regularly solicit competitive bids for the transportation contract.
- B. Require detailed billing statements from the fuel vendor and periodically review these costs for reasonableness.

AUDITEE'S RESPONSE

- A. *The district did bid the bus contract for the 2000-01 school year and awarded a three-year contract to a new company. In the future, the bus contract will be openly bid every three to five years.*
- B. *The district has implemented a procedure for monitoring fuel prices. The bus manager and superintendent will monitor fuel purchases by use of the billing statements.*

7.

Board Minutes

- A. The School District Board discussed items in closed session that were not allowed to be discussed under the provisions of the Sunshine Law. These included bus rates, greenhouse bids, bequests from citizens and companies, and budget revisions. Section 610.021, RSMo Cumulative Supp. 1999, allows the board to discuss certain subjects in closed meetings, including litigation, real estate transactions, bid specifications and sealed bids, personnel matters, and confidential or privileged communications with auditors. Section 610.022, RSMo Cumulative Supp. 1999, requires a closed meeting, record or vote be held for the specific reasons announced publicly at the open session. In addition, the law provides that public governmental

bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such meeting, record, or vote.

- B. Board meeting minutes are prepared by the Secretary of the Board; however, they are not usually signed by the Board President and Secretary upon approval. Some minutes were not signed for up to four months. The minutes should be prepared and signed by the Secretary and the President upon approval by the board to provide attestation that the minutes are a correct record of the matters discussed and actions taken during the board meetings.

WE RECOMMEND the School Board:

- A. Ensure any matters discussed in closed meeting are limited only to those subjects specifically allowed by state law.
- B. Ensure minutes are signed in a timely manner after being approved.

AUDITEE'S RESPONSE

- A. *Extra caution will be exercised in the future to ensure that all topics discussed in executive session fall within the guidelines of the Sunshine Law.*
- B. *Board minutes will be signed on a monthly basis with the Board President signing the draft copy of the Board minutes after their approval. The final copy will be signed after corrections have been edited.*

8. General Fixed Assets

- A. The school district has not established adequate records to account for district property. Property records are necessary to secure better internal controls over assets and provide a basis for determining insurance coverage.

The school district should establish an adequate property listing that includes all property items valued at or over an amount determined by the board. The listing should include a description of the item, the location, the estimated useful life, and the original cost or estimated historical cost if the original cost is not available. In addition, all items should be identified as school district property with a tag or similar device.

This condition was noted by the district's independent CPA and his report has a qualification due to lack of such records.

- B. The district's inventory procedures are not adequate. The district requires employees to prepare an annual inventory listing of their areas; however, a supervisory review of any differences from year to year is not performed. A supervisory review with

explanations noted of any changes is necessary to adequately insure all fixed assets are accounted for properly.

- C. The district does not have adequate procedures for the disposal of fixed assets. Currently, the district will move items no longer needed to a storage facility and take these items off the inventory list. No list is maintained of the stored unused items and these items remain in storage indefinitely. The district should establish a policy that includes maintaining a list of the items in storage and periodic disposal of the items by sale or other means.

WE RECOMMEND the School Board:

- A. Establish property records for fixed assets that record all pertinent information for assets. In addition, the school district should properly tag or otherwise identify all district property.
- B. Require a supervisory review and explanation of all differences noted in the annual inventory.
- C. Establish adequate procedures for the disposal of fixed assets.

AUDITEE'S RESPONSE

- A. *The district will explore software to maintain adequate fixed asset records. Software will be purchased and all fixed assets acquired, beginning with the 2000-01 school year, will be tagged by April 2001. Eventually, we plan to tag all fixed assets.*
- B. *The district will implement adequate procedures for reviewing the annual inventory by April 2001.*
- C. *The district will establish a process to appropriately account for and dispose of fixed assets no longer in service. The procedures will be Board approved and implemented by April 2001.*

This report is intended for the information of the management of Reorganized School District No. 1 of Moniteau County and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.