



**ROLLA 31 SCHOOL DISTRICT
YEAR ENDED JUNE 30, 2001**

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

**Report No. 2002-84
September 4, 2002
www.auditor.state.mo.us**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2002

The following problems were discovered as a result of an audit conducted by our office of the Rolla 31 School District.

The Board of Education held a goal setting meeting June 8-9, 2001, in St. Louis. The meeting consisted of approximately three and one-half hours on the first day and three hours on the second day, separated by an overnight stay. Six of the seven board members and four other district employees attended this meeting. The costs for overnight lodging and conference room fees were approximately \$1,500, and approximately \$220 in additional costs were incurred by the district for meal and mileage reimbursements. District personnel indicated the meeting was necessary at this location to accommodate the needs of four of the board members who had to be in St. Louis during this time. Additionally, district personnel indicated the timing of this meeting was important to discuss goals for the upcoming school year.

While the importance of the meeting is not questioned, the costs related to holding such a meeting over a two-day period in St. Louis appears to be an unnecessary expenditure of public funds.

The budgets prepared by the district for the years ended June 30, 2002 and 2001, are not prepared in a format that allows for adequate comparison of budgeted and historical data. The prior two years' actual revenues and expenditures are presented in a summarized manner with amounts for major categories, while the current year's budgeted amounts are presented in much greater detail by object code. In addition, each year's actual or budgeted activity is presented on separate pages, making it more difficult to compare similar data. This presentation makes it difficult to compare the current year's budgeted amounts with actual historical data from the previous years.

Annual financial statements are not published in the manner required by state law. The district's published financial statements for the year ended June 30, 2001, presented only total receipts and disbursements for each fund and did not provide any receipt and disbursement categories as required. State law requires that a summary statement of the district's audit report, including a statement of fund balances and receipts and disbursements by major classifications of each fund, be made and published in a newspaper within the county.

YELLOW SHEET

The district does not periodically solicit proposals for architectural services or legal services. The district has used the services of the same architectural firm and the same two firms for legal services for several years. While payments to the architectural firm totaled only approximately \$2,300 for the year ended June 30, 2001, this firm has worked on several capital improvement projects for the district during the past few years. The district spent \$32,500 on legal services during the year ended June 30, 2001. The district should periodically solicit and document proposals for architectural services and legal services.

The district has not been able to recover some costs of providing education to non-resident students. The Division of Family Services (DFS) places non-resident children in group homes for troubled children which are located in the school district. District officials indicated the DFS cannot identify the home school districts for many of these students, and therefore, the district cannot bill these students' home district for applicable tuition reimbursement. The district estimates it could not bill approximately \$21,000 for the 2000-2001 school year. The district should continue to work with the DFS and other agencies to obtain tuition reimbursement for educating these non-resident students.

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ROLLA 31 SCHOOL DISTRICT

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STATE AUDITOR'S REPORT



CLAIRE C. McCASKILL
Missouri State Auditor

To the Board of Education
Rolla 31 School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Rolla 31 School District. The school board had engaged Evers and Company, CPA's, L.L.C., to audit the district for the year ended June 30, 2001. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the school district included, but was not necessarily limited to, the year ended June 30, 2001. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review compliance with certain legal provisions.
3. Review certain management practices.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances. In this regard, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents and interviewed various personnel of the school district.

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

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

The accompanying Management Advisory Report presents our findings arising from our audit of the Rolla 31 School District.

A handwritten signature in black ink that reads "Claire McCaskill". The signature is written in a cursive, flowing style.

Claire McCaskill
State Auditor

May 16, 2002 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Mark Ruether, CPA
In-Charge Auditor:	Marty Beck
Audit Staff:	Mark Rodabaugh

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

ROLLA 31 SCHOOL DISTRICT
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

1. Budgets and Published Financial Statements

- A. The budgets prepared by the district for the years ended June 30, 2002 and 2001, are not prepared in a format that allows for adequate comparison of budgeted and historical data. The prior two years' actual revenues and expenditures are presented in a summarized manner with amounts for major categories, while the current year's budgeted amounts are presented in much greater detail by object code. In addition, each year's actual or budgeted activity is presented on separate pages, making it more difficult to compare similar data. This presentation makes it difficult to compare the current year's budgeted amounts with actual historical data from the previous years.

Section 67.010, RSMo 2000, requires the budgets shall present a complete financial plan for the ensuing budget year. To increase the usefulness of the district's budgets, the district should consider presenting the budget in a format that includes the same level of detail in both the prior two years' actual numbers and the current year's proposed numbers, and presents comparative information for all three years on the same page. This would allow both the board and the public to more readily compare the budgeted amounts to historical amounts.

- B. Annual financial statements are not published in the manner required by state law. The district's published financial statements for the year ended June 30, 2001, presented only total receipts and disbursements for each fund and did not provide any receipt and disbursement categories as required. Section 165.121, RSMo 2000, requires that a summary statement of the district's audit report, including a statement of fund balances and receipts and disbursements by major classifications of each fund, be made and published in a newspaper within the county.

In addition to compliance with state law, published financial statements provide residents information about how district resources are being used and the resources available.

WE RECOMMEND the School Board:

- A. Ensure the annual budgets include statements of revenues and expenditures that include the same level of detail for all years presented and allow for easier comparison of similar data presented for each year.
- B. Ensure the annual published financial statements are prepared in compliance with state law.

AUDITEE'S RESPONSE

- A. *Beginning with the 2002-2003 budget, a schedule containing multi-year budget data for expenditures by object code was included in the board approved budget document.*
- B. *The district will publish financial statements that include receipts by fund and by major category and expenditures by fund and by major category. The receipts will reflect monies collected from local, county, state, federal, and other sources. The expenditures will illustrate costs for regular instruction, special programs, vocational instruction, student activities, adult vocational programs, payments to other districts, pupil services, staff services, general administration, building level administration, buildings/food service/fiscal/transportation, community services, facilities construction, and debt service. This information will be published after the completion of the annual audit report.*

2. Professional Services

- A. The district has used the services of the same architectural firm for several years without any documentation of the consideration of other firms. While payments to this firm totaled only approximately \$2,300 for the year ended June 30, 2001, this firm has worked on several capital improvement projects for the district during the past few years. District personnel indicated that they use this firm because of the high quality of services it has performed in the past and that it is convenient for the district to access this local firm.

Sections 8.289 and 8.291, RSMo 2000, provide that when obtaining architectural services for any capital improvement project, at least three highly qualified firms should be considered. 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.

- B. The board has used the same two firms for legal services for several years and has not periodically solicited proposals for services. The board spent \$32,500 on legal services with these firms during the year ended June 30, 2001. There are no contracts between the district and the firms to document the services to be provided and the amount of compensation to be paid. The board should periodically solicit proposals for legal services and enter into written agreements which outline the rights and responsibilities of each party. Section 432.070, RSMo 2000, requires all contracts to be in writing.

WE RECOMMEND the School Board:

- A. Periodically solicit and document proposals for architectural services as required by state law.

- B. Periodically solicit and document proposals for legal services and enter into written contracts with the firms which provides legal services.

AUDITEE'S RESPONSE

- A. *The district will solicit document proposals and conduct interviews, if necessary, of architectural firms in September of 2002. Thereafter, the district will add architectural services to a master list of professional services that the district will consider contracting with for review and approval. The master list will outline a timetable for review of said services.*
- B. *The district will solicit document proposals and conduct interviews, if necessary, for legal services in October of 2002. Thereafter, the district will add legal services to a master list of professional services that the district will consider contracting with for review and approval. The master list will outline a timetable for review of said services.*

3.

Expenditures and Related Matters

- A. The Board of Education held a goal setting meeting June 8-9, 2001, in St. Louis. The meeting consisted of approximately three and one-half hours on the first day and three hours on the second day, separated by an overnight stay. Six of the seven board members and four other district employees attended this meeting. The costs for overnight lodging and conference room fees were approximately \$1,500, and approximately \$220 in additional costs were incurred by the district for meal and mileage reimbursements. District personnel indicated the meeting was necessary at this location to accommodate the needs of four of the board members who had to be in St. Louis during this time. Additionally, district personnel indicated the timing of this meeting was important to discuss goals for the upcoming school year.

While the importance of the meeting is not questioned, the costs related to holding such a meeting over a two-day period in St. Louis appears to be an unnecessary expenditure of public funds.

- B. The district operates several soda and vending machines throughout the various school buildings. 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 employees in the applicable buildings 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 that meeting expenses are a necessary expenditure of public funds.
- B. 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 will make every effort to expend public funds commensurate with the mission and objectives of the district. While recognizing the importance of a goal-setting meeting for discussion and planning purposes, the district will make every effort to keep expenses commensurate with the nature and length of the agenda.*
- B. *The district will pursue the installation of counters on the soda and vending machines. We will establish procedures at each building to periodically reconcile the soda and vending machine receipts and expenditures in order to ensure funds are not being lost or misused.*

4. Group Homes

The district has not been able to recover some costs of providing education to non-resident students of the district who come from various areas of the state. The Division of Family Services (DFS) places non-resident children in group homes for troubled children which are located in the district. The district does have procedures in place to bill the home districts of these students; however, district officials indicated the DFS cannot provide the home district for many of these students. During the 2000-2001 school year, the district billed approximately \$34,000 and received approximately \$30,000 in applicable tuition reimbursements. However, district personnel indicated neither the district nor the DFS could locate the home district of 14 of these students, and the district estimates it could not bill approximately \$21,000 in tuition reimbursements for these students. In accordance with standards developed by the Department of Elementary and Secondary Education (DESE), the district requests reimbursement from the various sending districts based on the local tax effort of the sending district and the actual number of days the students attended classes during the school year.

District personnel indicated that they have communicated this problem numerous times to DESE, DFS, state representatives, and the Governor's office. In addition, there are plans to build an additional group home within the district, creating the potential for increased amounts that will not be reimbursed to the district.

WE RECOMMEND the School Board continue to work with applicable state agencies and state officials to obtain tuition reimbursement for educating non-resident children.

AUDITEE'S RESPONSE

We agree with the State Auditor's findings and appreciate that the issue regarding tuition reimbursement for non-resident children located in group homes has been brought to the attention of our patrons. Through the diligence of the Special Services Director, the district has been able to collect a significant portion of the monies that the school is able to bill. However, a significant portion remains uncollected due to the lack of information provided to the district. We will continue to work through the bureaucratic process to obtain the necessary information to increase the collection of tuition for these non-resident students.

This report is intended for the information of the management of the Rolla 31 School District and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

ROLLA 31 SCHOOL DISTRICT
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Rolla 31 School District is located midway between St. Louis and Springfield at the crossroad of Interstate 44 and U.S. Highway 63. It covers approximately 205 square miles within Phelps, Maries, and Dent Counties.

The district operates a senior high school (grades 10-12), a junior high school (grades 8-9), a middle school (grades 5-7), three elementary schools (grades PK-4), and two vocational technical schools. Enrollment was approximately 4,066 for the 2000-2001 school year. The district employed approximately 531 full- and part-time employees, including 25 administrators, 311 teachers, and 195 support staff.

The Rolla 31 School District has been classified under the Missouri School Improvement Program as "Accredited With Distinction" by the Missouri Department of Elementary and Secondary Education.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve three-year terms without compensation. Members of the board at June 30, 2001, and their current terms of office are:

Name and Position	Term Expires
Randy Stratman, President (1)	April 2002
Annie Bass, President Elect (2)	April 2002
Ralph Wilkerson, Treasurer	April 2003
Frank Blum, Member (3)	April 2004
Jim Burns, Member (3)	April 2004
Mindy Kippenberger, Member	April 2003
Dana Rapier, Member (4)	April 2002

- (1) Replaced by Keith Strassner in April 2002.
- (2) Re-elected and became board president in April 2002.
- (3) Elected to the board in April 2001, replacing Bill Peach and Tammy Wiese.
- (4) Re-elected to the board in April 2002.

Other Principal Officials	Annual Compensation
Dr. Larry E. Ewing, Superintendent (1)	\$ 108,600
Dr. Lenoard R. Westbrook, Deputy Superintendent (2)	88,281
Aaron Zalis, Director of Human Resources	67,417
Linda M. Giger, Director of Special Services	54,364

- (1) Resigned effective June 30 , 2002, and replaced by Dr. Terry Adams.
- (2) Resigned effective June 30, 2002. The district restructured administrative positions at July 1, 2002, which distributed the duties of this position within the new structure.

Assessed valuations and tax rates for 2001 and 2000 were as follows:

	2001	2000
Assessed valuation	\$ <u>218,652,433</u>	\$ <u>196,046,547</u>
Tax rate (per \$100 assessed valuation):		
Incidental	\$ 3.0972	\$ 2.7500
Debt	<u>.3228</u>	<u>.3200</u>
Total	<u>\$ 3.4200</u>	<u>\$ 3.0700</u>

The incidental fund tax rate increase from 2000 to 2001 was the result of a voter-approved levy increase of eighty cents per \$100 assessed valuation in April 2001. Forty cents of this levy was implemented in 2001 with the remainder to be phased in during 2002 and 2003.