



Thomas A. Schweich

Missouri State Auditor

St. Louis Public School District

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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the St. Louis Public School District

Financial Condition	The St. Louis Public School District had a deficit fund balance of \$55 million at June 30, 2011. While the financial condition has improved, the district will likely face new funding challenges in future years. Significant cutbacks and one-time desegregation settlement funding allowed the district to eliminate the deficit balance; however, that funding will substantially end June 30, 2014, at which time the district may have to propose significant cuts again or seek additional funding.
Student Promotion and Retention	The district does not fully comply with applicable state laws with respect to the promotion and retention of at-risk students. A district official indicated the district does not have the resources to retain all students not reading at the required grade level, and full compliance would place the district in undue financial hardship.
Educational Programs	An independent audit noted significant concerns with the district's curriculum management, and many of the concerns still exist. For example, the district's central office administration is not aware of all educational programs and is not properly evaluating these programs to determine if they are positively impacting student achievement. The district's Accountability Plan is not always accurately updated in a timely manner.
Missouri Assessment Program Testing	After media reports regarding Missouri Assessment Program (MAP) testing irregularities, the district increased the number of Quality Assurance Monitors (QAM) and the frequency of monitoring visits. In early June 2012, audit staff reviewed the monitoring forms and found the district was missing approximately 100 monitoring forms for 30 schools. At our request, the Accountability Office contacted the QAMs, but by late June 2012 no monitoring forms had been submitted for 3 schools and less than the minimum four monitoring forms had been submitted for another 12 schools. Two of the independent QAMs, who were paid \$500 by the district for 18 hours of work, had not submitted any forms. The district does not have a formal proactive process to identify and investigate unusual fluctuations in school MAP test scores or to identify schools which should be monitored more closely. Currently, it is up to each individual school to determine the extent to which compiled testing data is utilized.
Purchasing Policies and Procedures	The district contracted with the same vendor for student busing since 2004 without competitive bidding at a cost of almost \$24 million during the year ended June 30, 2012. Several sole source procurements were not adequately documented. The district did not always competitively bid purchases of goods or services or routinely solicit requests for proposals (RFP) for professional services in accordance with the district's Purchasing Guide. The district has used the same law firm as its primary legal counsel since 2007 and the same company as its primary lobbyist since 2008 without obtaining periodic RFPs. The district should improve its bidding procedures for large construction projects, and audit staff noted concerns with the development and evaluation of some RFPs.

Contracts and Disbursements	The district needs to improve its procedures for contracting for goods and services. The district has not performed a cost analysis to determine if it is more economical to hire employees to provide legal services. The district has implemented some cost containment measures, but legal costs are still substantial. The district made some payments prior to obtaining a signed contract and did not adequately monitor some service contracts. Four retired district employees were paid to perform duties as independent contractors, but it appears the district should have classified them as employees under Internal Revenue Service (IRS) rules. The district paid monthly vehicle allowances of \$800 to the Superintendent and \$300 to the former Chief Financial Officer, which do not appear reasonable, and these allowances were not reported on their W-2 forms as required by IRS rules.
Closed Session and Committee Meeting Minutes	The district sometimes approved items in closed session without later announcing in an open meeting or publicly disclosing, and in some instances discussed items in closed session that were not allowable under the Sunshine Law. Some Special Administrative Board committee meeting minutes are not prepared and approved in a timely manner.
Henry Elementary Follow-up	The district has not fully implemented all audit report recommendations cited in our previous audit report (No. 2011-66). Our previous audit cited discrepancies in attendance data which suggested intentional manipulation of attendance data, but the district has not yet corrected the attendance data, and the district has not yet begun using the audit trail logging feature to monitor changes to the student information system database.
Audit Functions	The district has not implemented many of the recommendations made by the district's independent auditor. As noted in our 2004 audit report, the district still does not have an internal audit function.

In the areas audited, the overall performance of this entity was **Fair**.*

*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

- Excellent:** The audit results indicate this entity is very well managed. The report contains no findings. In addition, if applicable, prior recommendations have been implemented.
- Good:** The audit results indicate this entity is well managed. The report contains few findings, and the entity has indicated most or all recommendations have already been, or will be, implemented. In addition, if applicable, many of the prior recommendations have been implemented.
- Fair:** The audit results indicate this entity needs to improve operations in several areas. The report contains several findings, or one or more findings that require management's immediate attention, and/or the entity has indicated several recommendations will not be implemented. In addition, if applicable, several prior recommendations have not been implemented.
- Poor:** The audit results indicate this entity needs to significantly improve operations. The report contains numerous findings that require management's immediate attention, and/or the entity has indicated most recommendations will not be implemented. In addition, if applicable, most prior recommendations have not been implemented.

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Special Administrative Board
and
The Board of Education
St. Louis Public School District

The State Auditor conducted an audit of the St. Louis Public School District under authority granted in Section 29.205, RSMo. We have audited certain operations of the district in fulfillment of our duties. The district engaged RubinBrown LLP, Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2012. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2012. The objectives of our audit were to:

1. Evaluate the district's internal controls over significant management and financial functions.
2. Evaluate the district's compliance with certain legal provisions.
3. Evaluate the economy and efficiency of certain management practices and operations, including certain financial transactions.

Our methodology included reviewing minutes of meetings, written policies and procedures, financial records, and other pertinent documents; interviewing various personnel of the district, as well as certain external parties; performing site visits during Missouri Assessment Program testing; and testing selected transactions. We obtained an understanding of internal controls that are significant within the context of the audit objectives and assessed whether such controls have been properly designed and placed in operation. We also obtained an understanding of legal provisions that are significant within the context of the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance significant to those provisions.

We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides such a basis.

The accompanying Organization and Statistical Information is presented for informational purposes. This information was obtained from the district's management and its audited financial reports and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the St. Louis Public School District.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

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St. Louis Public School District Management Advisory Report State Auditor's Findings

1. Financial Condition The St. Louis Public School District will likely face new funding challenges in future years.

From 2009 to 2011, the district cut over \$50 million in expenses through a variety of cost saving measures, including school closures, reduction of workforce, and contract renegotiations; however, at June 30, 2011, the district had a deficit fund balance of approximately \$55 million in its General (incidental) Fund. The district began engaging in deficit spending in 2003 and continued through 2010. Revenues had been in decline as a result of decreased funding from the state, declining student population, and increased enrollment in St. Louis area charter schools.

While the district ended fiscal year 2011 with the \$55 million accumulated deficit balance, the deficit spending trend stopped during fiscal year 2011 and revenues exceeded expenditures by approximately \$9 million. In November 2011, the district reached a settlement agreement to resolve school desegregation litigation with the state. The settlement provided \$55 million to eliminate the district's deficit fund balance. This included forgiveness of a \$36.5 million loan the district obtained from desegregation settlement funds in 2004.

The desegregation settlement also provided additional revenues from the state totaling \$40.2 million through June 30, 2014, for the following existing, new, or expanded programs:

- \$2.5 million to expand the Parent/Infant Interaction Program to three additional high schools.
- \$15.9 million to add 25 additional early childhood classrooms.
- \$4.7 million to expand early childhood before-school and after-school care to 30 sites in the district.
- \$3.6 million to fund the High Quality Principal Leadership Program.
- \$7.5 million to offset the district's costs of transporting city students to magnet schools.
- \$3.3 million to fund the St. Louis Plan. Established in 2009, the St. Louis Plan provides first-year teachers support, advice, and guidance necessary to make the first year experience as successful as possible.



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- \$1.7 million to fund the addition of two technical support and five professional development staff to assist teachers in integrating computer technology into classroom learning.
- \$1 million to permit the acquisition and maintenance of computer hardware and wireless network facilities for a pilot one-to-one computing program.

Primarily as a result of the settlement agreement funding, at June 30, 2012, the district had a positive balance in its General Fund of approximately \$12 million.

The district's budget for the year ended June 30, 2013, uses settlement agreement funding for magnet school transportation (an existing program), and the new or expanded programs listed above. In addition, the district estimates the settlement agreement funds will help cover fiscal year 2014 expenditures for the same existing, new, and expanded programs funded in fiscal year 2013. However, the current settlement agreement funding ends June 30, 2014, at which time the district may have to again propose significant cuts or seek additional funding sources. District officials indicated an additional \$19 million is available in desegregation funds, and the district is not obligated after June 30, 2014, to continue funding the programs listed above.

When questioned about future funding plans, a district representative responded, "The district has developed a budget that balances revenues with expenses for 2012-13. The district is also aware of the future funding changes for various programs that are currently funded by Deseg (desegregation) and projected declines in state revenue and is working on solutions to address in future years." Proposed solutions are discussed in the district's 5-year financial plan, and include pursuing voter approval on a proposed property tax levy increase for operations and a bond issue, as well as continuing efforts to reduce workforce, and fixed and non-academic costs.

Because the one-time settlement agreement funding ends June 30, 2014, the district will face difficult decisions going forward. It is imperative the Special Administrative Board (SAB) continue to monitor the budget and cash flow projections to maintain a balanced budget and sound financial condition.

Recommendation

The Special Administrative Board closely monitor the district's financial condition due to the pending reduction in funding, and take appropriate actions as necessary.



Auditee's Response

The Special Administrative Board provided the following written response:

The District agrees with the importance of monitoring the District's financial condition and taking appropriate actions as necessary. In FY2013, the District has taken the following actions:

- The SAB approved revisions to the Budget Policy (Policy 3110) that formalize budget practice/policy and establish requirements for monthly reporting.*
- The SAB approved a fund balance policy to ensure the future fiscal viability of the District, setting both a minimum goal and a desired goal for the St Louis Public Schools' fund balance.*
- The District set the tax levy to recoup lost revenues resulting from prior year protested tax valuations.*
- By absorbing approximately 2,500 former charter school students, the District has received additional state aid in the form of basic formula revenue.*
- The recoupment levy, combined with the increased basic formula monies received from the Department of Elementary and Secondary Education (DESE), helped to generate additional revenues that will help stabilize the fund balance.*
- The District has initiated and achieved significant cost savings due to contract negotiations, position control and management and other cost savings initiatives.*

The District has operated during the years ending June 30, 2011, 2012, and 2013, with revenues exceeding expenses projected to result in a positive fund balance of \$15.5 million at June 30, 2013.

2. Student Promotion and Retention

District policies and procedures regarding the promotion and retention of "at-risk" students are not fully compliant with state law. The district is subject to Section 167.645, RSMo, (commonly referred to by the DESE and many school districts as Senate Bill 319) as are all other school districts in the state, which addresses student reading assessments, reading improvement plans, additional reading instruction, and summer school requirements for students grades 3 through 6. Senate Bill 319 also includes retention requirements for 4th grade students whose reading skills are more than one grade level below their current grade level.

The district's Office of Accountability performed an evaluation of 2011 summer school implementation and outcome data, concluding that passing



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"at-risk" elementary students who either fail to attend summer school or fail to progress enough during summer school to escape the "at-risk" category contradicts the intent of Senate Bill 319.

The evaluation report included pre and post assessment data and the level of compliance with the summer reading requirement set forth in Senate Bill 319. According to the report, pre-tests were administered to over 1,800 3rd and 4th graders in May 2011. Based on this assessment, 749 students were identified as "at-risk" of reading failure. Of these students, 372 attended summer school and 377 did not attend. Of the students that attended summer school, only 91 demonstrated sufficient improvement to escape the "at-risk" category when given a post assessment. In total, 747 of the 749 students were allowed to pass to the next grade level, including 375 "at-risk" students that never attended summer school and 281 students that remained classified as "at-risk" after attending summer school. As a result, the evaluation recommended "at-risk" elementary students not performing at grade level should be strongly encouraged, required, or even recommended for retention if they do not attend summer school.

Effective in 2007, upon being classified as an unaccredited school district by the DESE, the St. Louis Public School District also became subject to Section 162.1100.6, RSMo, which states, "No student shall be promoted to a higher grade level unless that student has a reading ability at or above one grade level below the student's grade level; except that the provisions of this subsection shall not apply to students receiving special education services" Although the district obtained provisional accreditation in October 2012, this statute is still applicable until the district is no longer constituted as the St. Louis Transitional School District.

Results from both 2011 and 2012 Missouri Assessment Program (MAP) testing in the content area of communications arts indicate more than 2,000 district students in grades 3 through 8 were considered "below basic". The district retained 155 and 128 students in grades 1 through 8 after the 2010-2011 and 2011-2012 school years, respectively. While "below basic" does not necessarily equate to a reading ability of more than one grade level below a student's grade level, "below basic" is the lowest rating category for the MAP testing program.

The district recently adopted a new student promotion and retention regulation effective June 2012. This regulation states, "retention shall be considered only when it is in the best interest of the student . . . after ongoing, sustained, and intensive intervention efforts have been unsuccessful." This new regulation also states, "Retention requirements will be in place for a fourth-grade student who is reading below the third grade level at the end of summer school." However, Section 162.1100.6, RSMo, appears to apply to all grade levels, not just 4th grade students. When asked



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about the district's responsibility to comply with Section 162.1100.6, RSMo, a district official indicated the district does not have the resources to retain all students who are not reading at the required grade level, and full compliance with state law would place the district in undue financial hardship.

While the district's new regulation clarifies and improves upon prior student promotion and retention practices to ensure compliance with Senate Bill 319, it does not address the requirements of Section 162.1100, RSMo.

Recommendation

The Special Administrative Board comply with the recently adopted retention policy, continue to monitor the district's policies and procedures related to student promotion and retention, and work toward full compliance with state laws regarding student promotion and retention.

Auditee's Response

The Special Administrative Board provided the following written response:

We acknowledge that the District was not in "full" compliance with Senate Bill (SB) 319. We actually notify all grade 3 and 4 students whose reading assessment results designate them "at-risk" on two separate occasions. We notify them in March after the final Acuity C assessment and again in May after the SB 319 mandated reading assessment that they are to attend summer school. Additionally, the District informs parents/guardians in writing regarding this requirement and uses that notification in planning for summer school. The District then follows up to see if those students enroll in summer school and guarantees space in summer school. Summer school enrollment increased 19% from 5,475 in 2012 to 6,526 in 2013 (data on highest day). For those students in the SB 319 grades who are promoted rather than retained (despite not attending summer school or showing sufficient improvement to escape the "at-risk" category), the District has been diligent in recommending the development of reading improvement plans and ensuring that other targeted interventions are put in place at every school for students not reading at the required level (including tutoring, Response to Intervention, offering Supplemental Education Services and After-School programs).

3. Educational Programs

The district has numerous educational programs which are not adequately evaluated to determine impact on student achievement. District policies, procedures, and regulations regarding the evaluation of educational programs are not followed or are out-of-date. In addition, the district's Accountability Plan is not adequately updated in a timely manner.

3.1 Curriculum Management Audit

An audit of the district's curriculum management noted significant concerns. The district contracted with the International Curriculum Management Audit Center at Phi Delta Kappa International (PDK) for an audit completed in July 2010 to provide guidance to increase student achievement and



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improve school performance. The audit included a review of program evaluation policies, plans, reports, and data pertaining to student assessment and program evaluation. The PDK interviewed school board members and district employees and surveyed schools to determine active programs in use. The following concerns were noted in the audit:

- "Many programs exist in schools without the knowledge of the district leadership . . . central office administrators were generally unaware of the number, nature, or location of approximately 1,000 programs."
- "Many (programs) were not subjected to a routine evaluation to determine their impact, if any, on student achievement."
- "Overall, the contents of board policies provided sound guidance to direct student assessment and program evaluation. The problem was that several policies that supported the District-Wide Evaluation Procedural Plan were not located in the Policy Manual or on the district's website. Also, some carried dates indicating that they had been replaced by policies of the same name or with a later date and/or different contents. Because of this confusion, auditors considered policy guidance on this subject inadequate."

The audit concluded, "If implemented in fidelity, the assessments and evaluations would provide a great deal of data that decision makers would find useful in their efforts to improve student achievement. However, policies and plans were not being implemented, and a great many programs were not being evaluated for their impact on student achievement. Essentially, the design was inadequate, but had many strengths. Delivery was ineffective, and in many instances, nonexistent."

In addition to the issues regarding evaluation of educational programs, the PDK Curriculum Management audit cited several other issues and made many recommendations to the district. The district's response to the audit was to give more weight to similar issues already identified for corrective action as discussed in its Accountability Plan (see section 3.2). However, the identification and evaluation of educational programs is not addressed in the district's Accountability Plan and therefore considered a lower priority. As a result, many of the educational program related issues noted in the audit still exist:

- The district was not able to provide an updated list of all educational programs in use throughout the district. As a result, it appears the district's central office administration is still not aware of all educational programs and is not properly evaluating all programs for their impact on student achievement.



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- A reduction in staff from eight to two has limited the ability of the district Accountability Office to conduct program evaluations. Since 2010, only two staff comprise the office's Division of Research and Evaluation, and one of these staff is dedicated to completing Title I reports. The few programs regularly evaluated internally include summer school, Title I (mandated), after-school, and early childhood. A limited number of other evaluations are also performed at the Superintendent's request. For the 2010-2011 school year, the Accountability Office performed approximately ten formal program evaluations. Program evaluations for the 2011-2012 school year were not fully completed during the time of our audit work.
- Some program evaluation policies, procedures, and regulations are not followed or are out-of-date. For example, internal self-evaluation forms are not prepared as required, a policy requiring biennial program evaluations was formally eliminated but is still described on the district's website, and there is not a central depository for evaluation reports as required by district policy. In addition, the district does not have formal guidance on continuation, modification, or termination of district programs or require follow-up on findings noted in program evaluations.

As cited in the PDK Curriculum Management Audit, "Planning for assessment of student achievement and evaluation of educational programs and services is a vehicle for examining the quality of student performance and determining if programs and services are actually producing the desired results. When the district leadership does not adequately plan for assessing student achievement and evaluating programs, the board and administrative leaders may lack reliable, systematic feedback regarding the effectiveness of programs, student learning, and instructional strategies. Further, parents and students may get incomplete feedback about student learning . . . The purpose of program evaluation information is to provide board members and the administration leadership reliable information for making decisions about program continuation, modifications, or termination." Based on the significance of this issue, the district should consider devoting more resources to program evaluation.

3.2 Accountability Plan

The district's Accountability Plan (plan) is not always accurately updated in a timely manner.

The district approved the plan in November 2009, in response to the Missouri School Improvement Program (MSIP) review conducted by the DESE during the 2008-2009 school year. The plan addresses what needs to be done to fix issues identified during the MSIP review (i.e. action steps), regain accreditation, and support the district's comprehensive long-range plan. The plan focuses on student performance; highly qualified staff; facilities, instructional resources, and support; parent and community



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involvement; and governance. The plan is submitted to the DESE for review and approval.

Due dates are established for the implementation of plan action steps, and progress is tracked throughout the year by the achievement of various benchmarks. The Executive Director of the district's Project Management Office (PMO) regularly requests scorecards from action step owners for use in periodically updating the progress of each action step toward implementation; therefore, there are multiple versions of the plan. Per the PMO, preliminary results for the year ended June 30, 2012, indicated 48 of 117 action steps had been completed, 23 did not reach completion by the due date because of lack of resources, and 46 due dates were extended to fiscal year 2013. We reviewed the district's internal monitoring process related to plan implementation and noted the following concerns:

- Owners of action steps do not always submit scorecard updates to the PMO in a timely manner. We reviewed several versions of the district's plan which was periodically updated to monitor results of action step implementation. The June 21, 2012, version of the plan, for example, listed six steps as having not achieved their projected completion dates which were listed as being prior to June 21, 2012, or past due. The PMO indicated all benchmarks for three of these steps were completed, but updated scorecards had not been submitted. For the other three steps, the PMO indicated due dates would need to be extended.
- Evidence of completion of action steps is not always requested and reviewed by the PMO to ensure the accuracy of scorecard updates. We reviewed 16 action steps from the June 30, 2012, version of the plan and requested evidence of completion to verify the progress stated in the plan. For at least six of these steps the district was unable to provide adequate evidence of the level of completion percentage of one or more benchmarks. The district subsequently provided updated scorecards for these action steps reducing the level of completion.

Timely and accurate information provided in the scorecards is necessary for the district to adequately monitor and report on the implementation of the Accountability Plan. In addition, the accuracy and reliability of the plan comes into question when evidence of completion is not verified at least periodically.

The Accountability Plan is used as the primary plan to guide the district back to accreditation. The district's accreditation status was changed from "Unaccredited" to "Provisionally Accredited" in October 2012 by the DESE. Accurate plan information should be generated through the monitoring process and provided to the SAB and district administration to make timely



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informed decisions. In addition, timely and accurate information is necessary to keep the public informed of the district's progress toward accreditation.

Recommendations

The Special Administrative Board:

- 3.1 Identify all educational activities and programs and implement established policies which require regular reports on the evaluation of programs. All evaluations should be coordinated and maintained by the Accountability Office. In addition, conflicting and/or out-of-date policies should be updated for consistency and accurately included on the district's website. Procedures should include written guidance for the continuation, modification, or termination of programs and require documented corrective action of formal evaluation findings and recommendations.
- 3.2 Ensure procedures are in place to accurately update the Accountability Plan in a timely manner, and ensure adequate documentation of completion of action steps is received and verified.

Auditee's Responses

The Special Administrative Board provided the following written responses:

- 3.1 *The District acknowledges the existence of a multitude of initiatives operating in the system. It should be noted, however, that the majority of these initiatives are not district-wide or district funded. Thus, not all programs are identified for evaluation because many are technically school-based activities resulting, for example, from small grants, partnerships, community memorandums of understanding, and business-sponsored small-scale interventions. The information from the PDK Audit will continue to be reviewed and key components of the audit will be addressed which includes the issue of the existence of a multitude of programs and initiatives. For example:*

- *Of 53 "programs" listed from the high school in the area of behavior, only 7 of them are "programs" while others are activities (Give Back Teens, Map Incentives) or processes (Morning Meeting, Focus Friday) and still others listed the same program with a different name (Counseling, Guidance, Peer Counseling and Peer Mediation).*
- *Of 19 communication arts "programs", only 7 of them are programs (including the high school curriculum program of Kaplan and the reading program of CORE, which is more technical assistance than programmatic) while*



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others are activities (Ben Carson Reading Room, Cross Curricular Writing, Career and Technical Education and Communication Arts Tutors). Similar reports were made in math.

- *Of 10 human capital "programs", 0 are programs and all would fall under the category of activities that occur throughout the school year such, as Greek organizations, Red Cross, and faith-based organizations. These are groups that give support on an invited basis.*

The District-Wide Procedural Plan was updated in 2009 based on the MSIP 4 and No Child Left Behind accountability structures. Staff changes and restructuring of departmental responsibilities in the ensuing years have impacted the original and updated policies and plans outlined in the District-Wide Procedural Plan.

There are a great many variables to student achievement and the likelihood the small initiatives have a significant and sustainable impact on achievement is small particularly if not district-wide or mandated. The District is open to such claims, however, and will evaluate those particularly successful programs with an eye toward recommending wider dissemination throughout the District. As a result of the State's NCLB Waiver and the implementation of MSIP 5, the District is revisiting the District-Wide Procedural Plan to align it with updated district staff and department reorganization and the new accountability system.

- 3.2 *Upon completion of the Accountability Plan and its submission to and acceptance by DESE, the District developed an internal monitoring process with oversight given to the Project Management Office (PMO). The implementation of the Plan was tracked throughout the year via completion of 'scorecards'. There were 3 official requirements by DESE for the Accountability Plan: 1) an annual update be posted on the District's website, 2) the Plan be presented to the community, and 3) a review meeting be held with 'critical friends' from DESE, Missouri School Board Association, and the SAB. These requirements were met. The Plan was aligned to the Comprehensive Long Range Plan and identified what needed to be done. It also gave benchmark indicators of completion, stated who was responsible for the work, and provided a timeline for completion for those issues noted during the MSIP review. All were impacted by district-wide changes. The accuracy and reliability of the Plan is not in question. As to the completion of scorecards, we again refer to the comment above regarding staff changes and shifts*



in departmental responsibilities contributing to the lack of timely updates to the Accountability Plan.

Auditor's Comment

3.2 While the district's response indicates the accuracy and reliability of the plan is not in question, we noted various differences between information documented on scorecards, which are used to update progress of action steps, and information contained in the plan.

4. Missouri Assessment Program Testing

Timely follow-up of Missouri Assessment Program (MAP) testing quality assurance monitoring was not performed. In addition, the district does not have a formal process in place to identify and investigate unusual fluctuations in MAP test scores.

In response to both national and local news articles regarding MAP testing irregularities, the district authorized monitoring procedures exceeding DESE requirements to help ensure 2012 MAP testing integrity. These steps included significantly increasing the number of testing monitors as well as the frequency of monitoring visits. The 2012 MAP testing took place from April 2nd through April 27th.

4.1 Quality Assurance Monitors

The Accountability Office did not perform timely follow-up of monitoring visits conducted by Quality Assurance Monitors (QAM) after the 2012 MAP testing had been completed.

District employees were assigned to perform monitoring visits at selected schools. Each school was assigned at least one QAM. In addition, the district hired seven independent QAMs to provide additional monitoring at selected schools. All QAMs were required to perform four to six monitoring visits, complete a Quality Assurance Assessment District Self-Monitoring Form (monitoring form) for each visit, and submit the monitoring form to the Accountability Office either electronically or hardcopy. The monitoring form was created by the DESE for districts to strengthen the administration of the MAP tests.

The seven independent QAMs were each paid a stipend of \$500 for 18 hours work, or \$27.78 per hour for their services. District employees assigned as QAMs received no additional compensation.

In early June 2012 we performed a review of monitoring forms completed and submitted by QAMs to the district Accountability Office. At that time, the district had not received approximately 100 required monitoring forms from several QAMs for approximately 30 schools. At our request, the Accountability Office contacted the QAMs in an attempt to collect the missing monitoring forms.



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We performed a follow-up review in late June 2012 and noted no monitoring forms had been submitted for 3 schools, and less than the minimum four monitoring forms (one for each required visit) had been submitted for another 12 schools. In addition, two of the independent QAMs paid by the district had not submitted any monitoring forms. Per a district official, no monitoring tool was developed to determine if the independent QAMs complied with the agreed-upon procedures.

Without monitoring information from all QAMs and for all schools the district is unable to adequately assess administration procedures of the 2012 MAP test. Timely follow-up of MAP test monitoring visits is necessary to ensure propriety of the testing process and investigation and/or correction of any irregularities noted. In addition, independent monitors should be required to submit documentation of monitoring visits performed to support their compensation.

4.2 Analysis of test results

The district does not have a formal proactive process to identify and investigate unusual fluctuations in school MAP test scores from year to year, or adequately utilize test data to identify schools which should be monitored more closely in subsequent years.

The Accountability Office annually compiles student test performance data and provides this data to each school to assist in decision making, instructional planning, and accountability reviews. However, it is up to each individual school to determine the extent to which the compiled data is utilized.

Based on our comparisons of 2012 and prior year MAP test score data available on the DESE website, significant fluctuations (increases or decreases) were noted in the percentage of students meeting established achievement levels at various schools. The district relies on the DESE and the testing vendor, which analyze the testing data, and each individual school to alert the district of any unusual occurrences to be investigated. The Accountability Office performs informal and formal investigations when specific testing irregularities are brought to its attention (i.e. reactive process). However, unusual fluctuations are not required to be investigated.

Student test score analysis is necessary to provide additional assurance of the propriety of the testing process, by identifying schools with unusual test score fluctuations in need of investigation and/or additional future monitoring.



Recommendations

The Special Administrative Board:

- 4.1 Ensure monitoring provided for future MAP testing is adequately documented, and follow-up is performed to ensure all monitoring forms are submitted in a timely manner.
- 4.2 Adopt a formal proactive process to annually identify and investigate unusual testing occurrences.

Auditee's Responses

The Special Administrative Board provided the following written responses:

- 4.1 *There are two distinct steps involved in monitoring testing. The first step concerns the administration of the testing. The Accountability Office conducts formal and informal investigation of testing irregularities during test administration (including the establishment of a telephone 'hotline' for anonymous reporting of any irregularities). Formal investigation results are submitted to the Superintendent and to DESE. The second step concerns the test results and those steps were outlined in the Auditee response to Section 4.2. The Accountability Office does assist schools in analyzing unusual fluctuations in test results, not only for MAP/End of Course, but also for all district-wide benchmark assessments.*

Due to the high publicity about test security and cheating, a decision was made to hire the independent Quality Assurance Monitors for selected schools (identified for various reasons by the Cluster Associate Superintendents). Their visits were in addition to District QAM visits at those same schools. The purpose of external QAM was to supplement not supplant; therefore, a follow-up process was not prepared.

- 4.2 *The District does have a defined and comprehensive formal process in place for identifying and investigating unusual fluctuations in MAP scores once the results are received. First, a trend analysis is performed on the preliminary results received from DESE to determine if any fluctuations are statistically significant. Second, data are desegregated by grade and building level, and summary reports are provided and presented to the Superintendent and the SAB. Third, schools are provided with the preliminary data for potential appeals and to inform their instructional planning for the upcoming year. Fourth, once the final data are received (November/October), another report is made regarding the results and all results are posted on district data management systems (e.g., Student Information System, Edmin, Pulse). Finally, Accountability Office staff provides ongoing professional development on data analysis and interpretation and data system*



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usage throughout the school year. The District's efforts exceed all requirements of the state.

The District expanded the Quality Assurance Monitoring (QAM) that occurred in the District during MAP testing in response to concerns regarding test "security" (based on national and local news articles about alleged cheating on state assessments). It should be noted that the QAM was not about monitoring assessment results but about monitoring testing administration, a requirement mandated by the State. The State requirement is a QAM visit at an elementary/middle school level and at a high school level. That was done by the District Testing Coordinator who returned evidence of those QAM visits to DESE as mandated.

Auditor's Comments

- 4.1 The district did not indicate in its response whether it would ensure monitoring for future MAP testing is adequately documented and follow-up performed. Without receiving the monitoring forms, the district cannot identify concerns noted during the monitoring visits. As a result, monitoring is a less effective tool in improving procedures related to the administration of future MAP testing.
- 4.2 While the district does compile MAP testing data and has procedures to use the data for various purposes (in particular to target schools performing below district benchmarks), the district did not provide us with specific procedures defining a significant fluctuation requiring further investigation. Also, while the district had documentation of investigations conducted as a result of testing irregularities brought to its attention, we were provided no documentation of investigations conducted by the district resulting from significant fluctuations identified through the district's internal processes.

5. Purchasing Policies and Procedures

District procedures for procuring and selecting contractors for goods and services need improvement.

5.1 Procurement procedures

The district does not always competitively bid purchases of goods or services or routinely solicit requests for proposals (RFP) for professional services. In addition, concerns were noted with the documentation of sole source procurements.

The district's Purchasing Guide requires a sealed competitive bidding process for purchases over \$5,000, unless the purchase is considered sole source or emergency. This may be accomplished through formal sealed bids, invitation for bids, or RFPs. Bids and RFPs are to be evaluated prior to award, taking into consideration price and established evaluation criteria.



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Competitive Bidding

The district purchased the following services or goods without competitive bidding or adequate documentation of sole source procurement:

- Since 2004, the district has contracted with the same vendor for student bus transportation services. Student busing services is the district's largest contract, with expenditures totaling \$23,906,791 during the year ended June 30, 2012. The district has renegotiated a 5-year contract with the vendor resulting in an overall rate reduction. The district estimated savings of \$523,458 in the last year of the previous contract and total savings of \$2,892,640 over the term of the new 5-year agreement.
- We noted other purchases in 2012 over \$5,000 that did not undergo competitive bidding, including some educational supplies (textbooks), musical instruments, and aquarium/terrarium maintenance services.
- We noted several Request for Sole Source Purchase forms were not adequately completed, including a lack of required approval signatures and documentation explaining why the purchases were considered sole source.

Professional services

The district paid for the following professional services without obtaining periodic RFPs:

- The district has contracted for grant writing services with the same person for 25 years because they considered this to be "one-of-a-kind" services and a sole source purchase. The district paid \$50,000 for this service during the year ended June 30, 2012.
- The district contracted with a staffing agency for temporary support in the Budget Office. The district paid \$23,472 for this service during the year ended June 30, 2012.
- Since 2007, the SAB has used the same law firm as its primary legal counsel. The SAB also utilizes other law firms to a lesser extent for specialized legal services when necessary. The district paid approximately \$2.9 million for legal services during the year ended June 30, 2012, with approximately \$2.7 million paid to its primary legal counsel. In addition, legal services expenses averaged \$2.46 million annually from fiscal years 2009 to 2012.
- The SAB has utilized the same company as its primary lobbyist since the services were last solicited in 2008. The SAB also utilized another lobbying firm to a lesser extent for specialized legislative



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services without soliciting proposals. The district paid \$103,818 for these services during the year ended June 30, 2012.

In addition to being required by district policy, periodically soliciting proposals or bids for goods and services is a good business practice, helps provide a range of possible choices, and allows the district to make better-informed decisions to ensure necessary goods or services are obtained from the best qualified provider, taking expertise, experience, and/or cost into consideration. In addition, to ensure the validity and propriety of procurements, sole source procurement documents should be completed in accordance with district procedures.

5.2 Bidding procedures and evaluations

The district received only one bid for each of several large construction projects, and improved bidding procedures might produce better results. Also, concerns were noted with the development and evaluation of some RFPs.

- The district had little response to bid solicitations for several construction projects at various schools related to the district's recent \$155 million bond issue (Prop-S bonds). While the district offered possible reasons for this, improved bidding procedures might have produced better results.

Bidding procedures for the Prop-S bonds generally include RFPs posted on the district's website. The district typically reissued RFPs when only one proposal was received, but had little success as additional proposals were rarely received. In addition, bidding procedures may include mass email notifications sent out to a large number of vendors identified by the district. However, for one such mass email, recipients included non-construction companies and did not include other construction companies awarded previous district projects. For another project, no mass email could be provided by the district. District Prop-S projects that only received one bid response included the following:

Project	Cost
Tuckpointing, waterproofing and plaster repair at multiple schools	\$ 10,920,774
Renovation of parent-infant interaction areas	968,880
Demolition of former Hodgen Elementary	319,777
Stair tread replacement at Sumner High	113,788
Router electrical installations	56,816



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For the \$10.9 million contract for waterproofing, tuckpointing, and plastering at multiple schools, a district official indicated the complex and specific nature of the project, as well as its magnitude may have contributed to the lack of response. This district official justified the complexity and magnitude of the project, indicating the short duration of the bond issue required certain projects to be done on a larger scale. The district official also indicated there was potential cost savings by combining the work at various schools into one larger project; however, the district could not provide documentation to support this statement.

As of July 2012, approximately \$99 million of the Prop-S bond funds had been allocated to specific projects. The district has until October 2014 to expend the entirety of the bond proceeds.

- The district received several proposals from vendors for employee benefit enrollment and eligibility services and employee benefit management services; however, the district could not locate the evaluation sheets and evaluation summary for this procurement. The district indicated the vendor awarded this contract was the only one to tie together their proposal for these services and offered certain discounts and performance guarantees if both proposals were accepted. The district considered the capabilities offered by this vendor to be a substantial upgrade over that of the prior vendor; however, the proposed costs for the enrollment and eligibility services was over 60 percent higher than that of the prior vendor. The district indicated the employee responsible for both RFPs has since left the district and her files were being reviewed to try to locate additional documentation. The district paid \$327,702 to the vendor during the year ended June 30, 2012.
- Evaluation sheets or a summary documenting the scoring of evaluation criteria were not always completed. Evaluation sheets were not completed for contracts awarded a lobbyist (in 2008) or the purchase of a student assessment management system. Also, the district did not properly document the evaluation of all three proposals received related to a greenhouse renovation. The initial evaluation summary only included two of the three proposals received. After our inquiry, the district subsequently provided an updated evaluation summary which included the third vendor.

Open and competitive bidding helps ensure all interested vendors are given an equal opportunity to participate in district business and the district receives the best goods and/or services for the best price. In addition, adequate bid and proposal evaluation documentation is necessary to ensure



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the district selects the lowest and best bid or proposal and provide support should questions arise regarding the procurement process.

Recommendations

The Special Administrative Board:

- 5.1 Ensure bids and proposals are periodically solicited for all goods and services, and sole source procurements are adequately documented as required by district policy.
- 5.2 Implement improved bidding procedures, and ensure adequate documentation is maintained to support procurement decisions.

Auditee's Responses

The Special Administrative Board provided the following written responses:

- 5.1 *The District agrees that bids and proposals should be solicited for all goods and services and sole source procurements should be adequately documented and is taking the following actions to improve its purchasing practices:*
 - *The District is currently preparing revisions to the existing purchasing policy that will provide clarity relative to the appropriate parameters for the competitive bid process.*
 - *The District is developing a contract database which will identify the appropriate term/duration of all contracts and provide a proactive "flag" indicator to signal end of term/rebid opportunities.*
 - *The District is developing a new policy specific to professional services.*
- 5.2 *As noted previously, the District agrees that improvements can be made to bidding procedures and documentation. However, the District feels that adequate processes have been and are currently in place for Prop S projects to create a competitive environment. Phone calls or email blasts were sent out to all contractors contained in the district phone and email (e-blast) listings and a pre-bid conference was held for each project that received only one qualified bid.*
 - *Tuck-pointing, Waterproofing and Plaster Repair at Multiple Schools - \$10,920,774 – Nine contractors signed in at the Pre-Bid Conference on January 17 & 31, 2012 after sending an e-blast out to 344 companies on January 10, 2012.*



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- *Tuck-pointing, Waterproofing and Plaster Repair at Multiple Schools - \$10,920,774 – Five contractors signed in at the Pre-Bid Conference on April 2 & 4, 2012 after sending an e-blast out to 93 companies on March 28, 2012.*
- *Renovation of Parent-Infant Interaction Areas - \$968,880 – Fifteen contractors signed in at the Pre-Bid Conference on July 20, 2011 after sending an e-blast out on July 14, 2011.*
- *Demolition of former Hodgen Elementary - \$319,777 – Six contractors signed in at the Pre-Bid Conference. Calls were made by District's HAZMAT Consultant to contractors.*
- *Stair Tread Replacement at Sumner High - \$113,788 – Three contractors signed in at the Pre-Bid Conference on July 21, 2011. Calls were made by Kwame Building Group to contractors.*
- *Router Electrical Installations - \$56,816 - Twelve contractors signed in at the Pre-Bid Conference. Calls were made by Kwame Building Group to contractors.*

Auditor's Comment

- 5.2 Although multiple vendors attended pre-bid conferences, the RFPs failed to generate more than one bid for each project. The district should evaluate the reasons for the lack of bid proposals and make improvements to the bidding process as necessary.

6. Contracts and Disbursements

District procedures for contracting for goods and services need improvement. In addition, concerns were noted related to disbursements for independent contractors and vehicle allowances.

6.1 Legal services

The district has not performed a cost analysis to determine if it would be more economical to hire employees to provide legal services. In addition, the district has used the same law firm as its primary legal counsel since 2007 without periodically soliciting proposals for these services (see MAR finding number 5). Instead, beginning in 2008, the SAB and its primary legal counsel have had several discussions regarding cost containment measures which have subsequently been implemented. As previously noted, the district paid approximately \$2.9 million for legal services during the year ended June 30, 2012. In addition, legal services expenses averaged \$2.46 million for the past 4 years.



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While some cost containment measures were implemented in 2008, district legal costs remain substantial. A cost analysis should be conducted to evaluate if legal costs are reasonable and if outsourcing, versus moving some or all this work internally, continues to be the most efficient method of procuring these services. Periodic evaluation of these contracts by district administration will help ensure district funds are spent wisely, and the best method of providing services (outsourcing versus in-house) is utilized.

6.2 Contract payments

While board resolutions were adopted for the authority to spend money on the following contracts, the district made the following payments prior to obtaining a signed contract.

- The memorandum of understanding with the facilities management service provider for the year ended June 30, 2012, was not signed until April 10, 2012. The district paid approximately \$5.8 million for this service during the year ended June 30, 2012.
- The written agreement with the evaluator of the 21st Century Community Learning Centers program was not signed until June 13, 2012. Performance of the contract was to be completed between March 15 and June 15, 2012. The district paid \$11,500 for this service during the year ended June 30, 2012.
- The resolution authorizing an increase of \$9,600 in cost for the 2011 independent audit was not approved by the SAB until March 2012, after the related audit report was released on December 27, 2011. In addition, the audit engagement letter (contract) was not signed until April 2012. The district paid \$199,100 for this service during the year ended June 30, 2012.

The lack of signed contracts prior to authorizing contractors to perform services exposes the district to unnecessary risks. If these contractors fail to perform the duties required in the contracts, the district may not be able to enforce the requirements of the agreements. Further, any changes to an original contract should be subsequently documented in a timely formal written contract amendment to ensure all parties are aware of their responsibilities and to prevent misunderstandings.

6.3 Monitoring of vendor performance

The district did not adequately monitor some service contracts, and some contracts had monitoring criteria which were vague or non-existent.

- Lobbyist activity reports were to be combined into one document by the district's primary lobbyist for submission to the SAB. However, combining the reports into one document does not allow either of the two contracts to be individually monitored as information from each lobbyist is not separately listed in the combined report. In



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addition, the primary lobbyist contract specifies he is to regularly meet with the SAB and Superintendent, but does not clearly specify the frequency of these meetings.

- The district contracts for an off-site program offering alternative education to disruptive students that have been removed from the regular classroom setting. The service contract requires the vendor to complete a self-evaluation of the services performed; however, these evaluations were not prepared and no other contract monitoring is required. The district paid \$501,600 for this service during the year ended June 30, 2012.
- The district contracts with a vendor to re-enroll students who have dropped out of school and work toward preventing students who are "at-risk" of dropping out, and to provide course credit recovery for current students. The service contract requires the vendor to submit progress reports to the district. District officials indicated the vendor enters applicable information into the district's Student Information System. However, progress reports as defined by the contract do not appear to be submitted by the vendor or reviewed by the district. The district paid \$1.2 million for this service during the year ended June 30, 2012.
- The district's facilities management services contract requires weekly facilities inspections; however, the inspection reports provided for our review were completed inconsistently on what appeared to be a monthly basis.
- District contracts with two DESE-approved supplemental education service providers require submission of invoices with a detailed list of eligible students who received services; however, vendor-provided invoices did not include the required information. The district paid \$1.8 million for this service during the year ended June 30, 2012.

In addition, evaluation of prior year performance by vendors was not always documented, or was not documented prior to contract renewal as required by the district Purchasing Guide. For one of the lobbyist contracts, Vendor Performance Reports (VPR) were not completed for fiscal years 2009 and 2011. However, the vendor's contracts were subsequently renewed for fiscal years 2010 and 2012. In addition, VPRs were not completed for the bus transportation service provider prior to renewing contracts for fiscal years 2009 and 2010.



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Evaluation of vendor performance is necessary to ensure the district receives the appropriate goods and services and to ensure efficient use of district funds.

6.4 Contracts with former employees

The district may not be following Internal Revenue Service (IRS) rules when hiring former employees as independent contractors.

For the year ended June 30, 2012, four former district employees who retired from the district and were receiving retirement benefits were paid as independent contractors to perform duties similar to those they had performed as employees. Administrators under contract for fiscal year 2012 included the Chief of Staff, a Principal, the Director of Community Education, and the Manager of the St. Louis Plan. Independent contractor payments to these individuals totaled \$125,000, \$104,842, \$92,043, and \$51,250, respectively. The district filed Forms 1099 for these payments. However, under IRS rules and given the district's control over working hours of these individuals, it appears these persons should have been considered employees and paid wages with applicable taxes withheld, and the earnings reported on Forms W-2. Because these former employees are receiving retirement benefits and the classification of their current employment may not be proper, the district may be subject to IRS and/or state penalties.

6.5 Vehicle allowances

The district did not properly report to the IRS vehicle allowances paid to the Superintendent and former Chief Financial Officer (CFO). In addition, the vehicle allowances do not appear reasonable.

The district paid monthly vehicle allowances of \$800 to the Superintendent and \$300 to the former CFO. These allowances are intended to cover in-district travel. While the Superintendent maintained documentation of mileage incurred for district purposes, neither the Superintendent or former CFO were required to submit to the district documentation of mileage incurred for district purposes, and these allowances were not reported on their W-2 forms. In addition, the mileage rate allowed by the IRS for business travel during 2012 was 55.5 cents per mile. At 55.5 cents per mile, the Superintendent would have to travel an average of over 1,400 business-related miles per month to earn \$800 in reimbursement; however, the Superintendent documented only 5,112 in district mileage for calendar year 2011. The CFO would have to travel an average of over 500 miles per month to earn \$300 in reimbursement.

The IRS specifically requires expenses not accounted for to the employer to be considered as gross income and payroll taxes to be withheld from the undocumented payments. In addition, vehicle allowances should be based on a reasonable estimate of miles driven for in-district business purposes.



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Recommendations

The Special Administrative Board:

- 6.1 Perform a cost analysis for legal services and consider appropriate action as necessary.
- 6.2 Enter into timely written agreements and contract amendments prior to the commencement of services.
- 6.3 Enter into detailed written agreements defining the services to be provided and the benefits to be received. In addition, the SAB should ensure contracts are monitored for compliance and vendor performance is adequately documented.
- 6.4 Follow IRS guidelines when hiring employees.
- 6.5 Follow IRS guidelines when paying vehicle allowances. In addition, the SAB should review all vehicle allowances and set the allowances to reasonably reflect actual expenses incurred.

Auditee's Responses

The Special Administrative Board provided the following written responses:

- 6.1 *The District performed a cost analysis for legal services in 2011 and determined that it was more cost efficient to outsource these services. The District will continue to periodically evaluate the best method for providing legal services (outsourcing vs. in-house). One staff attorney has been hired. The SAB has directed the Superintendent to hire, train, and develop staff attorneys capable of handling more legal work on an internal basis.*
- 6.2 *The District will enter into timely written agreements and contract amendments prior to commencement of services.*
- 6.3 *The District will ensure that all contracts include deliverables, performance expectations, and timelines for submission. The District will also monitor contracts for compliance and document vendor performance.*
- 6.4 *The District will follow IRS guidelines when hiring employees.*
- 6.5 *The District will follow IRS guidelines when paying vehicle allowances. All vehicle allowances will be submitted to the SAB for review/approval on an annual basis.*

Auditor's Comment

- 6.1 The 2011 cost analysis referred to in its response is actually a request by the SAB to its primary legal firm to identify ways to reduce future legal costs. While the legal firm identified five areas



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to reduce costs, the recommendations were based on the legal firm continuing to provide the SAB with the majority of the district's legal services, and was not a comprehensive cost analysis of outsourcing legal services versus providing services in-house.

7. Closed Session and Committee Meeting Minutes

The district did not publicly report some decisions made in closed SAB meetings or document how some issues discussed in closed meetings were allowable under the Sunshine Law. In addition, committee meeting minutes are not always prepared and approved in a timely manner.

7.1 Closed session minutes

Our review of SAB closed meeting minutes noted the following concerns:

- Items were approved in closed session but not later announced in an open meeting or publicly disclosed, including the sale of school buildings and an amendment to a district lease agreement.
- Some instances were identified where the closed meeting minutes disclosed issues discussed that were not allowable under the Sunshine Law. Such issues discussed in closed sessions include approval of a licensing agreement and an easement, the district budget, and lobbying and legislative issues.

Section 610.021 RSMo, lists the topics which may be discussed in closed session and requires the results of votes related to certain decisions made in closed sessions within specified timeframes or after conclusion of the action authorized by the vote be made public. This includes decisions on settlement agreements arising from litigation; execution of lease, purchase or sale of real estate; and execution of contracts.

Unless the SAB publicly announces or releases results of votes taken in closed sessions within a reasonable time following the conclusion of the action as required, the public cannot be aware that a decision has been made or that the related records are available.

7.2 Committee meeting minutes

Some SAB committee meeting minutes are not prepared and approved in a timely manner. For example, the Finance Committee minutes from March through June 2012 were not prepared until July 2012 and had not been approved as of July 31, 2012.

Minutes serve as the only official permanent record of decisions made by the SAB and committees appointed by the SAB. The Sunshine Law, specifically Section 610.020, RSMo, requires minutes be taken of meetings of all public governmental bodies. Section 610.010, RSMo, defines committees appointed by and reporting to public governmental bodies as subject to Sunshine Law requirements. Minutes should be approved and



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signed to provide an independent attestation that the minutes are an accurate record of the matters discussed and actions taken during the meetings. Furthermore, timely preparation and approval not only adds assurance to the authenticity of official minutes, but allows a timely review of the contents to ensure the minutes include all important information regarding the meetings held.

Recommendations

The Special Administrative Board:

- 7.1 Ensure all closed session votes and the related actions are publicly disclosed as and when required, and items discussed in closed meetings are allowable topics under the Sunshine Law.
- 7.2 Ensure minutes are prepared and approved in a timely manner and maintained for all applicable committee meetings in accordance with the Sunshine Law.

Auditee's Responses

The Special Administrative Board provided the following written responses:

- 7.1 *The District will ensure all closed session votes and the related actions are publicly disclosed as and when required, and items discussed in closed meetings are allowable topics under the Sunshine Law.*
- 7.2 *The District will ensure minutes are prepared and approved in a timely manner and maintained for all applicable committee meetings in accordance with the Sunshine Law.*

8. Henry Elementary Follow-up

The district has not fully implemented all audit report recommendations cited in our previous audit report, No. 2011-66, *St. Louis Public School District, Patrick Henry Downtown Academy - Enrollment and Attendance Recording and Reporting*.

In September 2011, we issued the audit report noted above in response to concerns that school attendance and enrollment data were being falsified at the Patrick Henry Downtown Academy (Henry Elementary). From the evidence collected, it appeared enrollment and attendance data was manipulated. As a result, we recommended the SAB:

- Address the discrepancies noted and update and correct data submitted to the DESE as appropriate.
- Investigate allegations that unverified and/or invalid changes were intentionally made to data, and that records were stolen, destroyed, or altered.



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- Implement additional controls and procedures to ensure data is accurately recorded and reported.
- Ensure all schools in the district comply with district policies and procedures regarding attendance, late arrival and early departure, and withdrawal of students.

In August 2012, the district provided the following responses regarding the status of these recommendations:

- During the past year, the district began reviewing attendance data submitted to the DESE for the past five years, including data for Henry Elementary. This is allowed under the current MSIP (Missouri School Improvement Program) data correction guidelines. As rules that govern attendance reporting are modified by the state, school districts have the ability to review and act accordingly. The results, at this point, reflect an accurate representation of applicable rule changes.

However, the district did not provide us with any documentation that the discrepancies noted in our 2011 audit report were addressed and attendance data updated and corrected.

- The employee against whom the allegations were made is no longer with the district.
- In July 2012 an audit trail log was implemented to electronically track changes made to student attendance by user.

However, as of February 2013 the district acknowledged it had not yet begun using the audit trail logging feature to monitor changes to the student information system database.

- An evaluation report was issued by the Office of Accountability in September 2011. Site visits were performed at 24 schools (16 elementary, 2 middle schools, and 6 high schools) to determine how closely schools adhered to district policies on attendance, student enrollment, etc. The report identified some inconsistencies or lack of proper follow-through, but concluded most schools were following district guidelines. As a result, the district provided training to school staff on attendance procedures and guidelines and a recap of attendance procedures was provided each school principal at the beginning of the 2011-2012 and 2012-2013 school years. The school principals were responsible for sharing this information with their staff.



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As the district has noted in its response above, the DESE allows schools up to 5 years to correct data in the Missouri Student Information System and as rules that govern attendance reporting are modified by the state. However, corrections to applicable discrepancies cited in our previous audit report suggesting intentional manipulation of attendance records should be made as appropriate. In addition, the audit trail logging feature should be reviewed and its use implemented. Attendance data helps determine the amount of state and federal funds the district receives. In addition, accurate attendance data is necessary to ensure the district complies with certain state and federal laws and regulations.

Recommendation

The Special Administrative Board continue to review attendance data and update, correct, and approve the data submitted to the DESE for Henry Elementary as appropriate. In addition, the Board should ensure the audit trail log is reviewed periodically and applicable changes to attendance investigated if necessary.

Auditee's Response

The Special Administrative Board provided the following written response:

With regard to updating the attendance data submitted to DESE for Henry, the District reviewed and determined that there was no conclusive evidence that would have warranted significant changes in attendance and/or withdrawal information. The District was aware of sample documents that alleged discrepancies, but the entire information was never received. Alleged discrepancy updates were not completed due to the decision made internally by St. Louis Public Schools that the financial impact would have been minimal. Based on the information provided, and using the assumption of specific attendance percentages between 85.2% and 97.4%, a modification would have warranted a difference of \$54,000 to \$145,000 which was considered immaterial. Furthermore, when modifications are made in a positive manner for the District, DESE does not send additional revenue to compensate for the change in percentage rates.

The District does acknowledge the importance of accurate attendance records and has taken the following actions to improve attendance reporting:

- *Additional controls have been put in place with attendance monitors visiting buildings on a timely basis. Data is reviewed to identify anomalies on a more regular basis and are brought to the attention of management when needed.*
- *Extensive training has been held with building level support—four different professional days in 2012-13—to intensify the need for accurate, timely, and up-to-date reporting in all areas of attendance and other measures related to MSIP 5 reporting.*



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- *After the audit re: Patrick Henry, the District's vendor, SIS K-12, added a feature that logs when an attendance file is updated, modified, and/or adjusted. This information is now available going forward and will be scheduled for periodic review.*

9. Audit Functions

The district has not implemented many recommendations made by the district's independent auditor, some of which have been repeated for several years. In addition, the district does not have an internal audit function.

9.1 Annual independent audits

Numerous recommendations are made by the district's independent auditor in their most recent annual financial statement audit report. Many of the recommendations have not been fully implemented and have been repeated from prior years, some dating back to 2008.

The district has indicated some of the audit recommendations have not been implemented due to accounting system, staffing, and/or budgetary constraints.

In the report issued for the year ended June 30, 2012, the independent auditor noted improvement in some areas; however, several findings were repeated in whole or in part, including several material internal control weaknesses over financial reporting, which increase the possibility that material misstatements of the district's financial statements will not be prevented, or detected and corrected on a timely basis. The material internal control weaknesses over financial reporting cited in the 2012 audit report were as follows (fiscal years in which similar findings were cited are noted in parentheses):

- Improvement is needed regarding financial statement closing and reconciling procedures at month-end and year-end (2011, 2010, 2009, and 2008).
- Capital asset records are not properly maintained and reconciled to supporting data in a timely manner (2011, 2010, 2009, and 2008).
- Timely financial statements and budget-to-actual reports for expenditures are not always prepared in a timely manner or on a regular basis (2011 and 2010).
- Accounting program and data information security controls are not sufficiently restrictive to properly segregate duties (2011, 2010, 2009, and 2008).
- District staff does not have an adequate understanding of generally accepted accounting principles or relevant accounting standards



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needed to prepare or apply controls over the preparation of external-use financial statements (2011, 2010, 2009, and 2008).

The independent auditors also identified three material weaknesses in internal controls over compliance related to the district's federally funded programs. One of these material weaknesses was previously cited in the district's 2011 and 2010 audit reports while another was previously cited in the 2011 report.

The district prepared a written corrective action plan for the 2011 audit recommendations, indicating most would be corrected by June 30, 2012. However, the independent auditor followed up on the status of these recommendations as part of the 2012 audit and found many of the same concerns. The district's current corrective action plan indicates correction for several of the audit recommendations is expected during April to June, 2013.

Timely implementation of corrective action plans is necessary to ensure audit findings are fully implemented, thus strengthening controls needed to prevent fraud, abuse, and/or material misstatement of the district's financial statements.

9.2 Internal audit

The district has financial activity of more than \$370 million annually, and numerous compliance and policy requirements. Several control weaknesses were noted by the district's independent auditor. However, the district does not have an internal audit function (this concern was also noted in our previous audit report, No. 2004-47, *Review of the St. Louis Public School District*). The district had an internal auditor as recently as December 2011 and in the past had an employee that performed some internal audit functions; however, this employee was also assigned several non-audit related tasks. As a result, internal audits were limited mainly to emergency requests and fraud allegations. According to district officials, interviews for the internal audit position were held in 2012 and a candidate was identified; however, contract terms could not be finalized. Also in 2012, the District issued a request for proposal and received bids for an internal business review; however, the district indicated that project was put on hold when our audit commenced.

If utilized properly, the internal audit function can assist management in performing its duties more efficiently and effectively, and the savings could potentially exceed the cost. In addition, an internal audit function can enhance the district's annual external audit by providing valuable information to those auditors and ensuring the district has strong internal controls and accounting procedures in place. An effective internal audit function could have helped in discovering and/or resolving many of the



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accounting and procedural control weaknesses, and policy and compliance issues addressed in this report.

The Institute of Internal Auditors' standards provide that internal audit activity is to be independent and should ". . . report to a level within the organization that allows the internal audit activity to fulfill its responsibilities." To ensure complete and objective audit coverage, the internal audit function must be independent of the activities it audits. Direct communication between the Internal Auditor and the SAB would help ensure independence and provide a means whereby the SAB can be kept abreast of current operations and activities. Such a reporting structure would also permit the SAB to request the internal audit section to perform specific audits.

Recommendations

The Special Administrative Board:

- 9.1 Ensure corrective action plans for audit findings are implemented in a timely manner.
- 9.2 Consider hiring an internal auditor to conduct audits of district operations and activities and who reports directly to the Board.

Auditee's Responses

The Special Administrative Board provided the following written responses:

- 9.1 *The District will ensure that corrective action plans for audit findings are implemented in a timely manner.*
- 9.2 *The District agrees with the importance of a strong internal control environment and will consider hiring an internal auditor to conduct audits of district operations and activities, who reports directly to the Board.*

St. Louis Public School District

Organization and Statistical Information

The St. Louis Public School District encompasses the entire city of St. Louis, Missouri.

The district operates 14 senior high schools (grades 9-12) of which 9 are either magnet or choice schools; 10 middle schools (grades 6-8) of which 5 are magnet schools; 5 combination schools (grades ranging from preschool (PS)-9) of which 1 is a magnet school; 40 elementary schools (grades ranging from PS-6) of which 9 are magnet schools; 2 early childhood magnet centers (grades PS-2); and 7 alternative sites. Enrollment was 24,766 for the 2011-2012 school year. The district employed 3,360 full-time and 969 part-time employees at June 30, 2012.

At June 30, 2012, the St. Louis Public School District was classified under the Missouri School Improvement Program (MSIP) as "Unaccredited" by the Missouri Department of Elementary and Secondary Education (DESE). However, the district's accreditation status was changed to "Provisionally Accredited" in October 2012. A provisionally accredited district has not met enough of the MSIP standards and indicators to be fully accredited.

Special Administrative Board

Since 2007 the Special Administrative Board (SAB) has acted as the policy-making body for the district's operations. In November 2010 the State Board of Education extended the SAB's authority for another 3 years. The SAB's three members serve without compensation. One member is appointed by the Governor, one by the Mayor of St. Louis, and one by the President of the St. Louis Board of Aldermen. Members of the board at June 30, 2012, were:

Rick Sullivan, President
Melanie Adams, Vice-President
Richard K. Gaines, Member

School Board

While the duties of governing the district have been transferred to the SAB, the elected school board conducts regular meetings and maintains limited statutory duties (i.e., auditing and public reporting powers). The board's seven members serve 4-year terms without compensation. Members of the board at June 30, 2012, were:

Katherine Wessling, President
David L. Jackson, Jr., Vice-President
Chad Beffa, Secretary
Donna Jones, Member
Rebecca Rogers, Member
Emile Bradford-Taylor, Member
Bill Haas, Member



St. Louis Public School District
Organization and Statistical Information

Superintendent

The district's superintendent at June 30, 2012, was Dr. Kelvin R. Adams and his annual compensation was \$234,600, which includes a vehicle allowance of \$9,600. The superintendent's compensation is established by the SAB.