



Thomas A. Schweich
Missouri State Auditor

**FOLLOW-UP REPORT ON
AUDIT FINDINGS**

**Hickman Mills C-1
School District**

November 2014
Report No. 2014-114



<http://auditor.mo.gov>

Hickman Mills C-1 School District

Follow-Up Report on Audit Findings

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*Includes selected findings



THOMAS A. SCHWEICH

Missouri State Auditor

To the Board of Education
Hickman Mills C-1 School District

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-012, *Hickman Mills C-1 School District*, issued in March 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - Implemented: Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - In Progress: Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - Partially Implemented: Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - Not Implemented: Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the district, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by the district and held discussions with district personnel. Documentation included copies of contracts, bid evaluations, purchasing policies and procedures, Board minutes, and inventory reports. This report is a summary of the results of this follow-up work, which was substantially completed during August and September 2014.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich
State Auditor

Hickman Mills C-1 School District

Follow-Up Report on Prior Audit Findings

Status of Findings

1. Financial Condition The financial condition of the district improved over the last 3 years, but was still below the minimum level recommended by the district's independent auditor. An already low unrestricted cash balance, along with falling revenues, required reductions in district expenditures to improve the district's reserve balance. These reductions in expenditures were primarily accomplished through reductions in the numbers of teachers and teachers' aides.

Recommendation The School Board closely monitor and take appropriate action to ensure the long-term stability of the district's financial condition.

Status **Implemented**

The district has done a further analysis of all personnel positions and has reduced the number of full-time employees for both certified and non-certified staff. This action, along with closely monitoring disbursements, has led to a significant increase in the district unrestricted cash balance. At June 30, 2014, the district reported an unrestricted fund balance of approximately \$16 million. The district cash balance as a percentage of expenditures has risen from 13.45 percent as of June 30, 2012, to 27.98 percent as of June 30, 2014.

2.1 Superintendent Search Process - Superintendent search The district's former Superintendent, Dr. Marjorie Williams, retired in June 2012 and the process followed by the Board to select a new superintendent was not conducted in a public manner, did not adhere to established Board policies or state laws, and was likely more costly than necessary.

Some Board actions taken during school year 2012-2013 regarding this transition and the review of the former Superintendent's leave balance, were not conducted in public or with the full knowledge of all Board members. The district did not solicit proposals for superintendent search services. In addition, the fee arrangement with the selected search firm was significantly higher than it would have been had the Missouri School Board Association been used to conduct the superintendent search.

Recommendation The School Board ensure Board policy is followed in procuring professional services and Board decisions and votes on contracts are appropriately publicly disclosed.

Status **Implemented**

District officials indicated they are closely monitoring the procurement of professional services to ensure applicable policies are followed and requiring requests for proposals when necessary.



Hickman Mills C-1 School District
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Status of Findings

3.1 Superintendent's Leave
Usage and Payout -
Audit of former
Superintendent Dr.
Marjorie Williams'
leave balance

Proposals were not taken to select a firm to conduct a human resource audit of the former Superintendent's leave balances. In addition, upon completion of the audit, the final report was not issued publicly and was not provided to the full Board. Former Board President Anderson received the audit and did not provide it to the other members of the Board.

Recommendation

The School Board ensure all district documents are made available to the full Board and release the final audit of the former Superintendent's leave balance as required by state law.

Status

Partially Implemented

The audit of the former Superintendent's leave balances has been made available to administrative staff and Board members, but has not been formally presented to the full Board or made public.

3.3 Superintendent's Leave
Usage and Payout -
Leave monitoring

The Board did not monitor the former Superintendent's absences, approve leave requests, or monitor vacation and sick leave used by the former Superintendent. The contracts between the former Superintendent and the district allowed her to accumulate a significant amount of leave days. District records showed the former Superintendent used only 3 days of vacation leave during her last 7 years of employment. Several Board members indicated they believed this number of days was inaccurate based on their knowledge of her absences.

Recommendation

The School Board develop procedures to ensure leave usage and balances of the Superintendent are monitored.

Status

Implemented

The Superintendent now submits leave request forms to the Board President for approval. The Superintendent's leave balances are tracked through the district payroll and leave no longer accumulates from year to year. Any unused leave is paid out at year end. We reviewed a leave request by the Superintendent for March 3, 2014, which was approved by the Board President.

4. Board Oversight and
Contract Payments

Board members did not provide adequate oversight to ensure established controls were in place and followed. Deviations from normal procedures were allowed and controls were circumvented by certain Board members.

4.1 Board decisions

We identified instances where decisions were made on behalf of the Board by less than a majority of the members, which overrode Board policy. Some decisions involved the timing of contract arrangements.



Hickman Mills C-1 School District
Follow-up Report on Prior Audit Findings
Status of Findings

Recommendation The School Board ensure decisions are not made by less than a majority of Board members and ensure all contracts are signed and in writing in accordance with state law.

Status **Implemented**

District officials indicated all Board decisions are made with the complete knowledge of all Board members and after the approval of the majority of the Board. The Superintendent indicated all contracts are signed and in writing.

4.2 Contracts and payments Controls requiring district personnel to compare documentation supporting disbursements to a written contract were overridden by the former Board President, resulting in an overpayment to one vendor. Written contracts were not obtained with some vendors or were not provided to district personnel in some instances.

Recommendation The School Board ensure written contracts exist for all services and are provided to district administrative officials.

Status **Implemented**

We reviewed contracts for the guaranteed energy savings and interior finishing related to renovations at the Ervin Early Childhood Center, approved by the Board in March and June 2014, respectively. Proposals were solicited for both services. Both contracts were signed and provided to administrative personnel. District officials indicated all contracts are now presented to the full Board for approval and are provided to the Director of Business and Finance once signed by applicable parties.

5.1 Sunshine Law - Closed meetings The Board held 28 closed meetings from July 2011 through December 2012, but did not always follow various requirements in Chapter 610, RSMo (the Sunshine Law).

- The Board did not provide evidence that notice was provided to the public of the time, date, place, and specific reason for the closed meeting regarding any of the 28 closed meetings as required by state law.
- The Board discussed some topics in closed meetings that were not allowable under the Sunshine Law.
- The Board voted on and approved several contracts in closed session and did not subsequently disclose those votes in an open meeting. In several instances, the approved contracts were not treated as public



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Status of Findings

records and were handled by the former Board President as closed records.

- The district did not notify former Interim Superintendent Dr. Everlyn Williams she was being reassigned in October 2012 before notifying the public of this decision.

Recommendation

The School Board ensure notice and the specific reasons for a closed meeting is given to the public, items discussed in closed meetings are allowable topics under state law, all votes to approve contracts are announced publicly, and the guidelines for notifying personnel of decisions made in closed session are followed.

Status

Implemented

The district adopted a policy regarding the handling of closed meetings, records, and votes in January 2014. We reviewed 7 closed meeting minutes from March 2014 through June 2014 and identified no compliance concerns with Sunshine Law requirements.

5.3 Sunshine Law - Custodian of records and sunshine law requests

The district did not have a formal policy regarding access to district records, or established guidelines for the district to make records available to the public. The district did not have a formal policy establishing a custodian of records, a log of public requests for records, or a fee schedule for document retrieval and research. In addition, the district did not maintain the minutes of Board and committee meetings in an orderly manner. Minutes of meetings were not always readily available upon request.

Recommendation

The School Board establish written policies and procedures regarding public access to district records, maintain a public request log, and maintain minutes of all meetings in an orderly manner so they are readily available when requested.

Status

Implemented

The district has adopted a written policy for release of public information. The Board Secretary is the custodian of records for the district and is maintaining a log of record requests. Minutes of open and closed session meetings from March 2014 to June 2014 were readily available for our review.

6. Capital Assets

District personnel did not have adequate procedures to ensure property records were complete and accurate, or provide a basis for determining proper insurance coverage and accountability.



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Follow-up Report on Prior Audit Findings
Status of Findings

6.1 Records and procedures The district's capital asset listing was inaccurate, was not always updated timely when purchases were made, and did not include some important information. In addition, an annual physical inventory of district assets had not been performed since at least 2006. District staff had not been following various policies and procedures covering inventorying, disposing and tracking of assets.

Recommendation The School Board ensure complete and detailed capital asset records are maintained, assets are properly tagged for identification, and annual physical inventories are performed and compared to detailed records. In addition, follow established policies and procedure when capital asset items are disposed of or moved to a different location.

Status **Implemented**

The district hired an outside vendor to perform an inventory of capital assets in June 2014 and has purchased an inventory control software program that district staff began using in September 2014. The district has implemented inventory control procedures, which along with the new software program, will ensure adequate inventory controls are maintained. These control procedures include documentation and approval requirements for the movement or disposal of property and property tagging procedures.

6.2 iPads Officials did not enforce district policy regarding the ordering of electronic equipment resulting in the purchase of electronic equipment including iPads and iPad accessories without the involvement of the information technology (IT) department. Inventory test work indicated many of the iPads had not been tagged as district property and some of the accessories purchased had not been used and remained in the original packaging.

Recommendation The School Board enforce district policy over how electronic devices and accessories in the district are purchased and ensure all those devices have a district tag attached. In addition, the administration should evaluate needs when determining who will be issued electronic devices, including iPads.

Status **In Progress**

District administration implemented a new district directive requiring all electronics to be purchased by the IT department. The directive requires these purchases to be shipped to the IT department before they are dispensed within the district. The Superintendent indicated his Executive Leadership Team is in the process of analyzing all uses of electronics within the district.

7. Procurement Cards Controls over district procurement (P) cards needed improvement. The district had 44 P cards in use during school year 2011-2012.



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Follow-up Report on Prior Audit Findings
Status of Findings

7.1 Approval	Approval of purchase orders detailing P card purchases was not done in accordance with administrative procedure.
Recommendation	The School Board ensure policies and procedures are followed in regards to proper review of P card statements and supporting documentation.
Status	Implemented District officials decreased the number of P cards issued to employees and administrators from 44 to 4, and indicated the Purchasing Officer now approves all P card statements along with supporting documentation before forwarding them to the Director of Business and Finance for approval for payment. We noted supervisory review of all P card statements for September 2013 and each item purchased was supported by an approved purchase order and had adequate supporting documentation attached.
7.2 Purchases	We identified numerous purchases that either were not allowed under district administrative procedures or appeared unreasonable including recurring charges, gifts, birthday celebration purchases, appreciation dinners, iPad purchases, and unnecessary parking costs.
Recommendation	The School Board ensure prohibited purchases are not made on P cards and all purchases made on P cards are reasonable and prudent uses of public funds.
Status	Implemented District officials decreased the number of P Cards issued to employees and administrators from 44 to 4, which they believe will help ensure better oversight of card purchases. We examined September 2013 P card purchases and all items were reasonable and a prudent use of district funds. Invoices were present for all purchases reviewed.
7.3 Incentives	The district had not developed policies regarding the use of student incentives and did not maintain documentation to support the distribution of student incentives purchased by teachers and school administrators. Student incentives included electronic equipment such as digital cameras, karaoke machines, Kindle tablets, laptop computers, and printers. Students received these incentives for academic and athletic achievements, but the district maintained no records identifying the students, the achievements met, the date of distribution, or evidence of receipt by the student.
Recommendation	The School Board develop a district-wide policy regarding the awarding of student incentives and ensure adequate documentation is maintained for the distribution of student incentives.



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Status of Findings

Status

Partially Implemented

The Superintendent presented a new incentive program for perfect attendance to the Board in March 2014 and developed written procedures for distributing the incentive, but a district-wide policy regarding the awarding of student incentives has not been developed.

8. Staff and Board Meals

The district did not separately account for meals and food purchases for the Board prior to meetings, employee meetings, training sessions, retirement receptions, employee recognition events, or lunches at local restaurants. As a result, total actual disbursements for food and meals could not be determined, and the district's ability to monitor such purchases was hampered. In addition, food purchases were often made without documenting the purpose or those in attendance, and the district did not have comprehensive policies regarding district-provided food and meals.

Recommendation

The School Board develop comprehensive policies regarding district-provided food purchases. These policies should establish specific guidelines regarding proper and allowable disbursements in this area along with documentation requirements for these expenditures.

Status

Partially Implemented

A comprehensive policy regarding district-provided food purchases has not been developed, although the Superintendent indicated he planned to discuss creating such a policy with the Board in the future. However, the Board has changed procedures regarding meal advances and now reimbursements are requested for meal costs while traveling. The Superintendent also indicated meals are only provided at Board meetings when considered necessary due to the time of the meeting.

11.1 Travel - Board travel

Travel costs for the Board more than doubled during the 2011-2012 school year from the previous year, primarily due to the increased attendance by Board members at the 2012 National School Board Association (NSBA) conference. We had concerns regarding the NSBA conference trips in both 2013 and 2012. The district sent a large number of Board members and staff to these conferences with some attendance being unneeded and others attending not participating in much of the training provided based on records obtained.

Recommendation

The School Board re-evaluate the amount of Board travel incurred and ensure Board members attending future trainings provide evidence of participation.



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Status of Findings

Status

Partially Implemented

Board travel costs decreased from \$36,000 in the 2011-2012 school year to \$18,000 in the 2013-2014 school year. The Board sent only 3 members and the Superintendent to the NSBA conference in 2014 as compared to a group of 5 (4 Board members and the Superintendent) in 2013 and a group of 9 (all 7 Board members, the Superintendent, and Board Secretary) in 2012. Evidence of participation was not submitted by the Board members and Superintendent for the 2013-2014 NSBA conference, although they submitted a listing of the courses signed up to attend to the Board Secretary.

12.1 Purchases and Contracts
- Bids and proposals

District personnel made several purchases of goods or services without utilizing a bid or request for proposal process in violation of district policy. The district bidding policy states competitive bids shall be sought in the purchase of supplies, goods, or services exceeding \$5,000.

Recommendation

The School Board ensure district policy is followed by soliciting bids or requests for proposals for all services over \$5,000. Documentation of bids received and the bid process should be retained. If sole source procurement is necessary, the district should retain documentation of the circumstances.

Status

Implemented

The district has revised its policy for bids and requests for proposals. The policy now states no contract will be entered into or bill paid without the proper documentation and without an affirmative vote from a majority of the Board. It also requires purchases in excess of \$25,000 have prior Board approval. We reviewed the Board minutes from March 2014 to June 2014 and noted numerous instances where the Board voted to approve bids and/or proposals submitted.

14. Backup Data

Some backup data was not stored at a secure off-site location. While backup of all district data was performed daily, only the backup of financial data was stored at a secure off-site location. Backup of other data, such as student attendance records, student grades, and teacher attendance was stored in the same building as the original data.

Recommendation

The School Board work with district officials to ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.

Status

In Progress

District officials provided us with documentation that all backup data was stored off-site as of August 2014. They indicated recovery of the data has not been tested, but recovery testing will be done periodically.



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Status of Findings

15. Mileage and Fuel Logs The district had not established effective monitoring procedures regarding fuel and vehicle use. Fuel purchases were charged at a local gas station per a district contract. Usage and fuel logs were not maintained for some district vehicles. Building and grounds and security personnel indicated mileage was recorded in a log weekly, but these logs did not indicate when fuel purchases occurred and no comparison of miles driven to fuel used was made to ensure fuel purchases and vehicle usage were reasonable. No fuel or usage logs were maintained for vehicles in the other departments. In October 2012, the district began using credit cards assigned to each vehicle for fuel purchases.

Recommendation

The School Board require logs for all vehicles. These logs should be reviewed and reconciled to fuel purchases and any significant discrepancies investigated.

Status

Implemented

The district now participates in a fleet card program to manage fuel usage, which requires entry of a vehicle's mileage before it can be fueled. Monthly reports of fuel purchases, as well as mileage for each vehicle, are received and reviewed by the business office, along with fuel purchase tickets. We reviewed March 2014 fuel invoices and compared them to the purchase logs. This work identified no problems.