



Office of Missouri State Auditor
Nicole Galloway, CPA

FOLLOW-UP REPORT ON AUDIT FINDINGS

Fox C-6 School District

Report No. 2017-024

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Fox C-6 School District

Follow-Up Report on Audit Findings

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*Includes selected findings



NICOLE GALLOWAY, CPA **Missouri State Auditor**

To the Board of Education
Fox C-6 School District

We have conducted follow-up work on certain audit report findings contained in Report No. 2016-031, *Fox C-6 School District* (rated as Poor), issued in May 2016, 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 school 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 has no specific plans to implement the recommendation.

As part of the AFTER work conducted, we reviewed documentation provided by district officials and held discussions with officials to verify the status of implementation for the recommendations. Documentation provided by the district included minutes of meetings, written policies and procedures, financial records, and other pertinent documents. This report is a summary of the results of this follow-up work, which was substantially completed during January 2017.

A handwritten signature in black ink that reads "Nicole R. Galloway".

Nicole R. Galloway, CPA
State Auditor

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Status of Findings

1. Superintendent and Administrator Salaries We noted numerous problems with the controls, procedures, and approval of the Superintendent's¹ and other administrators' contracts.

1.1 Superintendent contracts and compensation We noted concerns with the Superintendent's contracts and compensation for the 2011-2012 through 2013-2014 school years. The concerns included compensation that did not agree to contract amounts; unapproved salary schedules; and the existence of multiple contracts for the 2013-2014 school year, with only one that had been both formally approved by the Board of Education (Board) and retained with Board approved documents.

For the 2012-2013 and 2013-2014 school years, the Board did not approve the salary schedules that pertained to the superintendent position and were used to calculate and support the amount of compensation paid to the Superintendent. The Superintendent was paid \$12,456 more than the amount approved in her contract for 2012-2013. The Superintendent was also issued 4 contracts for the 2013-2014 school year and there was no documentation that the Board discussed and approved the 3 contracts established after approval of the initial contract. The Superintendent was paid based on the second, third, and fourth contract salary amounts, receiving a salary increase mid-year that was applied retroactively to the full school year. Other than the contract documents, the district did not have documentation or evidence of Board approval to support the salary increase or for applying the mid-year increase retroactively to the full school year. Also, the salary provided for in the third and fourth contracts was used for the Superintendent's settlement agreement with the district.

Recommendation The Board of Education ensure the Superintendent's pay agrees to established contracts and pay schedule. In addition, the Board should document its review and approval of all contract changes.

Status **Implemented**

The current Superintendent's pay is set by the signed contract and is not based on a salary schedule. We reviewed the current Superintendent's contracts for the 2015-2016 and 2016-2017 school years. Each contract was approved by the Board and documented in the Board's meeting minutes. In addition, we reviewed payroll records to ensure the Superintendent's actual compensation agreed with the approved contract amount and noted no discrepancies. No changes occurred to the Superintendent's 2015-2016 contract and none had been made to the Superintendent's 2016-2017 contract as of the date of our work.

¹ Dr. Dianne Critchlow served as Superintendent until June 4, 2014. We refer to her throughout this follow-up report as Superintendent.



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1.2 Administrator salaries

Salary schedules were not always followed and changes to base amounts for the administrator salary schedules were not always approved.

- Administrator longevity compensation was added to salaries for the 2012-2013 school year. The new schedule no longer allowed for this compensation unlike the administrator salary schedule approved by the Board in May 2009 and in effect for school years 2009-2010 through 2011-2012. The total additional compensation for administrators ranged from \$42,958 to \$175,028.
- In January 2013, the former Assistant Superintendent of Business and Financial Services increased the administrator salary base from \$136,060 to \$137,400 for the 2012-2013 school year in an email message to the payroll department with no other approvals evident. The base increase was not approved by the Board and new contracts for administrators could not be located reflecting the mid-year change to salaries, and the salary changes were applied retroactively to the beginning of the school year. As a result, total administrator salaries increased by approximately \$58,000 for the 2012-2013 school year.
- For the 2013-2014 school year, the administrator salary base was increased from \$137,400 to \$138,750. Administrator salaries also included additional compensation for administrator longevity. There was no documentation to support the base increase or the administrator longevity paid, and none of the increases were approved by the Board. The total additional compensation for administrators ranged from \$115,983 to \$417,088.
- In December 2013, administrators were transferred to a new salary schedule, but there was no documentation showing how the new schedule was phased in. The mid-year salary changes were applied retroactively to the beginning of the school year. Prior to implementing the new salary schedule, administrators were granted an additional year of service credit resulting in additional compensation when determining salaries. The total additional compensation for administrators for the 2013-2014 school year ranged from \$98,000 to \$294,000.

Recommendation

The Board of Education ensure salary schedules are complete and accurate, and all contracts contain the type and amount of compensation to be paid and are approved by the Board to ensure transparency.

Status

Implemented

In February 2016, the Board approved an Exempt Employee Salary Schedule for the 2016-2017 school year. This schedule replaced multiple previous schedules in order to avoid confusion regarding the compensation



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paid to employees exempt from the Fair Labor Standards Act, including administrators, and to ensure consistent application of the approved salary schedule. A Non-Exempt Employee Salary Schedule was also approved.

Procedures have been implemented to ensure no salaries are paid unless supported by either a signed contract or a Board approved salary schedule. The Assistant Superintendent of Human Resources is responsible for ensuring the correct pay for each employee. Approved salary amounts are communicated to the Payroll Supervisor. After the school year has started, the Director of Finance compares actual salaries being paid to signed employee contracts to ensure agreement.

From a list of 60 administrators for the 2016-2017 school year, we chose 3 to review in detail. We ensured the administrator's personnel file contained a contract and the contracted compensation agreed with the Board approved salary schedule. In addition, we reviewed the administrators' payment histories to ensure each was being paid the approved amount. Finally, we ensured the Board President and the employee signed each contract. We noted no problems.

1.3 Employee placement

The district's placement or advancement of some administrators on applicable district salary schedules was not always adequately documented or approved by the Board. This issue resulted in several assistant principals receiving compensation that was not properly supported. In addition, the district had no documentation to explain reasons for applying mid-year salary increases retroactively to the beginning of the school year or to show additional work was performed.

Recommendation

The Board of Education discontinue the practice of combining compensation features from prior pay schedules or modifying existing pay schedules without Board approval.

Status

Implemented

As discussed in section 1.2, procedures have been implemented to ensure no salaries are paid unless supported by either a signed contract or a Board approved salary schedule. In addition, existing salary schedules have not been modified.

1.4 Bridges program

The Board did not approve the internal promotion of a teacher to principal (later retitled to Director of At-Risk Services) of the Bridges Alternative School (Bridges) program during the 2009-2010 school year or the creation of the assistant principal position during the 2013-2014 school year, and a cost-benefit analysis was not completed to evaluate the cost of the new position. The district also did not have documentation explaining why a different salary schedule was used for the Director of At-Risk Services



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starting in 2011. During the 2011-2012 school year, he also received compensation for a duty that did not exist in district regulations and during the 2013-2014 school year, he received compensation for a degree that had not been obtained. These issues resulted in the Director receiving compensation of \$88,751 that was not properly earned or supported.

Recommendation

The Board of Education perform a cost-benefit analysis and ensure there is Board approval and adequate documentation to support new positions.

Status

Implemented

District personnel indicated no new administrative positions have been created since the release of the audit report that would require performing a cost-benefit analysis. The Board reviewed the Bridges program, and the assistant principal position that had been created without Board approval during the 2013-2014 school year was eliminated. The Bridges program is now administered by a director. The position is paid as a Director 1 per the Board approved salary schedule and not at the higher elementary/middle school principal salary.

We reviewed the Bridges program director's 2016-2017 school year contract. The contracted compensation amount was within the appropriate salary range.

1.5 Former Assistant Superintendent

In November 2009, the temporary Chief Financial Officer (CFO) was moved to a newly created position of Assistant Superintendent for Data Management. This position ceased to exist after this person became the Assistant Superintendent of Business and Financial Services. We noted the following concerns.

- The Assistant Superintendent for Business and Financial Services received additional administrator compensation for working in an administrator position for 7 years, even though 8 years were required at the time.
- The Assistant Superintendent of Business and Financial Services received back pay for the period of July 2011 to June 2014. However, a review of contracts, salary schedules, and payroll records determined that his original annual compensation had been correct and no back pay was due.

Recommendation

The Board of Education ensure adequate documentation is maintained for any decisions that deviate from established pay schedules. The Board should also ensure that contract adjustments for prior years are warranted, justified, and properly approved.



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Status

Implemented

As discussed in section 1.2, procedures have been put into place to ensure no salaries are paid unless supported by either a signed contract or a Board approved salary schedule.

District officials indicated there have been no deviations from the established salary schedules, and there have been no contract adjustments for prior years since issuance of the audit report.

2. Credit Card Purchases and Reimbursements

We found numerous problems with credit card purchases and reimbursements.

2.1 Credit cards

We identified concerns with 36 percent (\$96,743 of \$268,935) of the expenditures reviewed on 3 credit cards assigned to the Superintendent and her administrative assistant. In addition, we identified concerns with 77 percent (\$3,394 of \$4,383) of the expenditures reviewed on an assistant superintendent's credit card.

- Monthly credit card statements were reviewed and reconciled to corresponding payment receipt slips by the accounts payable department, except for the Superintendent's statement. The Superintendent reviewed and reconciled her own credit card statement.
- District personnel used credit cards to purchase numerous items with costs exceeding district regulation.
- We identified numerous purchases totaling \$56,702 that did not seem reasonable and/or provide a benefit to the school district. Many of these transactions were supported by a receipt or invoice that agreed to the amount charged, but there was no additional information to demonstrate the purpose of the purchase and how it related to district business or complied with district policy.
- The district was unable to provide supporting documentation for several gifts and gift cards purchased using district credit cards. Also, a listing was not prepared and maintained documenting the recipients of the gifts or gift cards.
- We identified numerous purchases totaling \$8,877 without adequate supporting documentation, and in some cases no documentation beyond the credit card statement.

Recommendation

The Board of Education establish controls and procedures for review and approval of all credit card purchases made by district employees, to evaluate employee compliance with district travel policy and ensure purchases are supported by appropriate documentation. Also, the Board should ensure the



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district stops the practice of buying gifts or gift cards with district monies and all purchases are a prudent and necessary use of taxpayer monies.

Status

Implemented

The Board revised the district's purchasing policy in December 2016. The policy states authorized employees and Board members may use purchasing cards to make purchases for the district or to pay for reasonable travel expenses incurred when performing job duties. Unless otherwise authorized by the Board, only the Superintendent and the purchasing officer are allowed access to a credit card. Annually the Board approves a list of employees authorized to use district purchasing cards and the spending limitations on those cards, and any employee issued a district card must sign a card usage agreement. All charges must be accompanied by documentation, such as receipts and applicable budget codes. The accounts payable department examines all documentation prior to payment, and is required by policy to notify the Superintendent or his/her designee immediately if any purchase violates law or district policies or procedures. No district employee or Board member has the authority to approve his/her own card statement.

We reviewed the November 2016 American Express, United Missouri Bank Visa, and Sam's Club MasterCard statements paid in December 2016. For each statement, we ensured supporting documentation for charges had been provided, the supporting documentation had been reviewed by the accounts payable department, and that each statement had been properly approved before payment. For the Sam's Club MasterCard statement, we matched all of the supporting documentation retained to the individual charges to ensure the documentation was adequate. We identified no problems with the statements and supporting documentation reviewed.

The district has not stopped the practice of purchasing gift cards, but the CFO has implemented a gift card policy. The policy states that generally the purchasing of gift cards with district resources is not encouraged, but they may be given in certain instances (i.e., as a prize in a student contest, as a prize in a fund raising activity, etc.). In addition, recipients of gift cards must sign an acknowledgement form indicating the type of gift card, amount, and date received. The gift card acknowledgement forms are to be retained by the district to support the purchase.

District officials indicated no gift cards had been purchased or distributed since the beginning of the 2016-2017 school year.

2.2 Reimbursements

Travel and expense reimbursements made to the Superintendent and her husband, who was the Director of At-Risk Services from July 1, 2011,



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through June 30, 2014, included questionable and improper reimbursements totaling \$4,214.

Additionally, the Superintendent approved all of her husband's expense reimbursements. This was inappropriate due to their relationship and diminished the control provided by supervisory approvals.

Recommendation

The Board of Education ensure adequately detailed supporting documentation is submitted with claims for reimbursement and reviewed for legitimacy and accuracy. In addition, ensure the district continues to comply with its conflict of interest and nepotism policies.

Status

Implemented

We reviewed 3 travel and expense reimbursements paid in December 2016. Each included a signed reimbursement request, proper approvals for the expenses, and supporting documentation for all claimed expenses. Additionally, it was apparent that each request and its corresponding support had been reviewed by the accounts payable department prior to processing the payment.

In accordance with the conflict of interest and anti-nepotism policies, district officials have been making the necessary disclosures and refraining from hiring family members and associates that would be in violation of the policies.

4. Scholarships

The district did not have policies or procedures regarding scholarship handling and record-keeping requirements. In addition, procedures and records pertaining to some scholarships were not adequate.

- Depositing procedures for admission fees for intradistrict basketball and football games used to fund the Fox Showcase Scholarship were handled differently than admission fees for other games.
- Complete records were not maintained to support scholarship awards.
- Check authorization requests for 3 scholarships administered through the Superintendent's office contained only 1 signature, while other district scholarships contained multiple levels of required approval signatures.
- The Superintendent's sons graduated in 2010 and 2013. Some scholarships were awarded to students, including her sons, in those 2 years only. Another scholarship was awarded in 2013 to one of her sons and two other students, even though the donations were received in 2011. The Superintendent authorized these scholarships.



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Recommendation

The Board of Education ensure compliance with established policies and procedures related to the funding and awarding of scholarships.

Status

Implemented

The CFO created a set of criteria for scholarships awarded by the district to ensure procedures for all scholarships are consistent. The criteria specifies that relationships between the program donors, selection committee members, and the potential recipients should be identified. The criteria also specifies that recipient selection should be carried out in such a manner that it is evident the selection process did not benefit particular individuals.

No scholarships had been awarded during the 2016-2017 school year at the time of our work.

5.1 Accounting Controls and Procedures - Petty cash and change funds

We identified various concerns with the district's petty cash fund procedures and oversight.

- The district did not have a listing of approved petty cash funds, the funds were not maintained on an imprest basis at the district allowed amount of \$300, and there was no review or approval by district personnel of petty cash expenses.
- The formal policy did not address specific purchasing limits.
- The district had a petty cash custodial agreement that was to be completed by the individual responsible for maintaining the fund; however, it had not been provided to responsible parties for completion.
- While not a formally established petty cash fund, the maintenance department had \$4,545 in cash that was used like a petty cash fund at July 1, 2014.
- Ledgers were not maintained for some petty cash funds to document transactions and some ledgers contained incorrect dates and amounts, or were missing information such as vendor names.
- Petty cash was not counted on a set schedule, there were no independent reviews to ensure petty cash funds were being maintained properly at any of the schools reviewed, and monies at some schools were not adequately secured.
- Schools periodically withheld receipts from deposits or parking fees to replenish petty cash.



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Controls over the district's change funds needed improvement. Each school office maintained a change fund. The district did not have a list of approved change funds or a written policy regarding these funds. In addition, the change funds were not maintained at a constant amount and no independent reviews were performed.

Recommendation

The Board of Education ensure petty cash funds are maintained on an imprest basis and usage is properly documented, the expenditures are necessary and reasonable, and a supervisory review performed. In addition, the Board should ensure school change funds are accounted for properly.

Status

In Progress

Proper handling and use of petty cash and change funds was addressed at a training held in August 2016. In addition, the Director of Accounting has performed onsite reviews of schools' petty cash and change funds to ensure these funds are being maintained on an imprest basis, usage is properly documented, and the expenditures are necessary and reasonable. No problems have been identified with the accounts, but detailed documentation of these reviews was not maintained. District officials indicated documentation will be maintained for future reviews.

For the 2016-2017 school year, the district ensured that petty cash custodial agreements were signed by all responsible parties. Each school and the Board office are authorized to have a petty cash fund. We reviewed signed agreements on a test basis and noted no problems.

5.3 Accounting Controls and Procedures - Receipting, transmitting, and depositing

Receipting and depositing procedures over fees were not sufficient, and transmittal procedures did not provide proper accountability. Problems identified included the following:

- Receipt slips were not routinely issued at all locations reviewed. As a result, deposits could not be reconciled to supporting documentation. Also, a review of the cash register report at the Fox High School cafeteria identified several instances where personnel recorded the incorrect method of payment.
- Receipts were not always transmitted or deposited timely or intact.
- Some district receipts were handled by several employees before deposit and adequate documentation is not maintained to support the transmittal of monies from one district employee to another. Also, receipt slips were not provided when building coordinators for the Character Kids Club and Building Blocks programs delivered monies to the program director's office to acknowledge the transmittals.



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- Checks received were not always restrictively endorsed immediately upon receipt.

Recommendation

The Board of Education ensure monies are properly received, reconciled to the composition of deposits, and deposited timely and intact. The Board should also ensure transmittals of monies between employees are documented and checks are restrictively endorsed upon receipt.

Status

Implemented

District officials indicated training on receipting, recording, and transmitting procedures is held annually, with the most recent training held in August 2016. The Director of Accounting indicated he or an employee he designates performs periodic onsite visits to ensure monies are properly received and checks restrictively endorsed, the composition of receipts is reconciled to the composition of deposits, transmittals between employees are documented, and receipts are deposited timely and intact. These reviews were not documented; however, district officials indicated documentation will be maintained for all future reviews

5.4 Accounting Controls and Procedures - Segregation of duties

The district had not adequately segregated the duties of receiving, recording, and preparing deposits at the 5 schools visited, and documented supervisory or independent reviews of the accounting records were not performed.

Recommendation

The Board of Education ensure duties of receiving, recording and preparing deposits are segregated or implement adequate supervisory reviews if duties cannot be appropriately segregated.

Status

Implemented

District officials indicated the duties of the school secretaries are reviewed by the school's principal or assistant principal. Performing these reviews is addressed in annual training. During onsite reviews, the Director of Accounting will look at a school's documentation of reviews.

6.3 District Policies and Procedures - Student workers

The district employed student workers, both high school and college students. The district did not have a formal policy that established the rate of pay. Varying hourly rates were paid among student workers without documented explanations. In addition, numerous students were paid at rates exceeding the standard student rates, with amounts paid over the standard rate totaling \$91,580 for the 5 school years reviewed. Also, numerous timesheets reviewed had incomplete details and did not have evidence of supervisor approval.

Recommendation

The Board of Education establish a written policy covering student pay rates and ensure students are paid at the appropriate rates. In addition, the Board



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should ensure student workers' timesheets are properly completed and immediate supervisors sign them to indicate their approval.

Status

Implemented

In May 2016, the Board approved a wage of \$8 per hour for both high school and college student workers. Our review of student workers approved by the Board in October 2016 confirmed the \$8 per hour rate. Additionally, district officials indicated they have reduced the student worker program.

The district now uses an electronic timekeeping system that ensures timesheets are properly completed. We reviewed a student worker's information in detail for the November 6-19, 2016, pay period. The student's hours worked and pay agreed to the approved student wage of \$8 per hour for the time period reviewed. The student worker's supervisor must approve the timesheet in the system before the student worker can be paid. We noted no problems with the information reviewed.

The district determined a written student wage policy was not necessary because the \$8 per hour rate was approved by the Board.

6.4 District Policies and
Procedures - Student
computer usage forms

The district did not always maintain students' signed Internet, email, and computer use agreement forms and some schools were not using the most current form. Students were required to sign this agreement when they registered for school each year per district Regulation 6531 and the copies were to be maintained at each school.

Recommendation

The Board of Education ensure the district maintains all required forms from students and current approved forms are used.

Status

Implemented

The district determined that agreement forms are no longer needed. Rather, when students log into a district computer, they are required to read a warning screen before the computer can be used. The warning notifies the students they are on a private computer system property of the district and any unauthorized or improper use of the system may result in disciplinary action. By continuing, the students attest they are aware of and consent to the terms and conditions of use.

Additionally, parents must review and accept the district's Acceptable Internet, E-Mail, and Computer Usage Policy during student registration. Without this acceptance, their student will not be allowed to use district computers.



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7. Disbursements and
Contracts

The district's procedures for soliciting bids and entering into written contracts needed improvement.

7.1 Bidding procedures

The district did not always follow its bidding policy when obtaining goods or services. Board Policy 3210 required employees to obtain quotes from multiple vendors for purchases totaling \$12,499 and lower and competitively bid purchases of \$12,500 and higher. However, Board policy did not address bid requirements when multiple purchases from any one person or vendor total \$12,500 or more during a set period of time.

The district had no documentation showing the education training (\$118,915) and curriculum training (\$21,600) services were sole source and district personnel indicated bids were not obtained from other providers. The district utilized the same vendor for multiple bus maintenance and repair (\$40,814 in June 2013) transactions and total purchases exceeded the \$12,500 threshold but bids were not solicited. In addition, the district utilized the same vendor for all computer equipment (\$188,473) purchased during the 2014 fiscal year, and purchases exceeded the \$12,500 threshold but bids were not solicited. Also, the district does not have a contract with the bus maintenance and repair vendor.

The Board received 4 bids and approved the lowest bid for a district-owned vehicle for the Superintendent, but this vehicle was not purchased. Rather, the Superintendent subsequently signed a purchase order with a vendor that had submitted a bid that was rejected. The Board did not approve the purchase and district staff issued payment to the vendor based on documents submitted and approved by the Superintendent.

Recommendation

The Board of Education solicit bids in compliance with Board policy and amend the policy to add time frames for bid thresholds. In addition, the Board should make purchases based on approved bids.

Status

Partially Implemented

The Board revised the purchasing policy in December 2016. The policy indicates employees are expected to contact multiple providers before making a decision regarding purchases under \$3,000; purchases of \$3,000 or more will be competitively bid; and sealed bids will be required for purchases that may exceed \$15,000. However, the policy has not been amended to add time frames for bid thresholds. At the time of the follow-up meeting, the Board had no plans to amend the policy.

We obtained a listing of all purchases greater than \$3,000 made between October 1, 2016, and December 31, 2016, and chose 4 purchases to review in detail. The district competitively bid these 4 purchases or chose the vendor through a cooperative bid agreement. We noted no problems with the process and documentation.



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7.2 Professional services
and contracts

The district had not established policies for the selection of vendors providing professional services. Additionally, the district did not solicit requests for proposals for the three professional services reviewed. Also, the district did not have a written agreement for legal services.

Recommendation

The Board of Education periodically solicit proposals for professional services and enter into written agreements for those services. In addition, the Board needs to establish a policy to address the selection of professional services and to ensure that the district is in compliance with state law.

Status

Implemented

The Board has implemented written policies for the selection of numerous professional services including audit services; architectural, engineering and land surveying services; construction management services; and school attorney/legal services.

As part of our work reviewing finding number 10.2, we reviewed the Board's audit policy in detail and the selection of an independent audit firm for a 3-year contract starting with the fiscal year ended June 30, 2017. We identified no problems with this process.

8. Attendance

The district's attendance system did not limit the time period during which changes could be made and there was no review by district officials to ensure changes made to attendance records were appropriate.

Changes to the daily attendance records could be made anytime throughout the school year by a school's secretary. In addition, the attendance system could not generate a report of changes made, further limiting the district's ability to monitor this information.

Recommendation

The Board of Education should implement additional controls and procedures to ensure student attendance data is accurately recorded and reported, including restricting the time period when changes can be made without authorization. The Board should also ensure the attendance system is programmed to allow generation of an audit trail report or report of changes.

Status

Implemented

According to district personnel, they were told by the attendance system's programmer that the system could not be changed to restrict the time period when changes can be made. However, controls and procedures have been implemented to ensure student attendance data is accurately recorded and reported. When a change is made after the date of attendance, a record of the change is added to a district-wide shared document by the person making the change. The document lists the school, the attendance date, the



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date of the change, who made the change, the student's name, and the description and reason for the change. This document is reviewed by the Data and Information Director on a regular basis, and any problems must be brought to the attention of the Superintendent. This document also serves as an audit trail since the district's attendance system cannot be programmed to generate an audit trail or report of changes.

We reviewed the changes (52) made from August 2016 to December 2016. Most changes occurred because a student obtained a doctor's note for an absence, resulting in the need to change the absence from unexcused to excused in the attendance system.

9.1 Capital Assets and Fuel Usage - Capital asset policies and procedures

Records and policies to account for district property were not adequate. District policies document procedures for property located at the school buildings; however, other district buildings and departments, facilities, vehicles, and equipment were excluded. As a result, some district assets were not accounted for and capital asset records were not complete.

Procedures had not been developed to identify capital asset purchases and dispositions throughout the year. Capital asset records and annual inventories were not reviewed by district officials each year to ensure accuracy and completeness or to account for additions and dispositions. School principals also did not adhere to the policies established for the disposition of district property. Schools recorded all dispositions in the transferred out section on their inventory; however, they did not indicate the date or method of disposal or if the item was transferred to another building.

Recommendation

The Board of Education 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, the Board should follow established policies and procedures when capital asset items are disposed of or moved to a different location.

Status

In Progress

A physical inventory was performed in May 2016 at each of the district's schools. We reviewed the inventory for Fox High School in detail and identified no concerns. However, a physical inventory was not performed on other district buildings and departments, facilities, vehicles, and equipment.

In April 2016, the Board approved the purchase of a new inventory system to make the tracking of district assets more efficient. The inventory system is designed specifically for K-12 inventory control of mobile and capital assets. District staff will have current inventory information available throughout the school year. All capital assets, including those in schools and



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other buildings, will be included in the new inventory system. Full implementation of the new inventory system is planned for July 2017.

10. Audit

The district lacked an internal audit function. In addition, procurement procedures for selecting the annual independent financial audit firm needed improvement.

10.1 Internal audit

During fiscal year 2014, the district had total revenues and expenditures of approximately \$118 million and \$133 million, respectively, and numerous cash collection points and compliance and policy requirements; however, the district did not have an internal audit function or similar alternative arrangement for audits of various processes.

Recommendation

The Board of Education consider appointing an internal auditor to conduct audits of district operations and activities.

Status

Implemented

The Board considered and decided against appointing an internal auditor. Instead, the CFO has tasked the Director of Accounting and the Director of Finance with some internal audit duties. For example, the Director of Accounting has been performing onsite reviews of accounting procedures at the schools, as well as reviewing the petty cash and change funds. The Director of Finance verifies the salaries paid to employees are supported by written contracts and/or with the Board approved salary schedule.

10.2 Conflicts of interest and independence

The Board had not requested proposals for services for the district's annual independent financial audit and continued to rehire the former employer of the district's Director of Accounting. The district has utilized this CPA firm for approximately 14 years. Additionally, in May 2013, the Board appointed the current Director of Accounting who had been the in-charge auditor for the Fox C-6 School District audits performed by the CPA firm for the fiscal years ending June 30, 2010, 2011, and 2012.

Recommendation

The Board of Education adopt a conflict of interest policy to ensure the hiring of employees from vendors do not cause an actual or appearance of a conflict of interest.

Status

Partially Implemented

We reviewed the district's current audit policy adopted in December 2016. The policy states selection of the independent auditor will be competitively bid every 3 years. A request for proposal was issued and proposals were received from 3 qualifying audit firms in June 2016. At a July 2016 meeting, the Board selected an accounting firm to serve as independent auditor for 3 years.



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Follow-up Report on Audit Findings
Status of Findings

We reviewed the district's conflict of interest policy, revised in January 2017. The policy does not address the hiring of employees from vendors. The CFO indicated that to his knowledge the district has hired an employee from a vendor only one time and does not intend to do so in the future; therefore, there are no plans to add this issue to the conflict of interest policy.