



Claire McCaskill

Missouri State Auditor

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November 2005

Grandview C-4 School District

Year Ended June 30, 2004



Office Of  
Missouri State Auditor  
Claire McCaskill

November 2005

**The following problems were discovered as a result of an audit conducted by our office of the Grandview C-4 School District.**

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The school district does not always solicit bids or retain bid documentation for major purchases. District employees indicated that in most instances, bids were solicited through telephone quotes or other direct contacts with vendors; however, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor were not retained for some purchases. The district did not have formal procurement policies prior to March 2004, and district personnel indicated the only bidding policy which was regularly followed was the state law that required bids for major construction projects totaling more than \$12,500. In addition, district personnel had difficulty locating various expenditure records and files. Also, purchase orders for several expenditures were missing, incomplete, prepared subsequent to incurring the related expenditure, or did not have the required approval. Expenditure records are located at various buildings throughout the district and no standard system is used for maintaining these records.

Credit card purchases were approximately \$24,000 during fiscal year 2004, and approximately \$46,000 through April 2005. Some credit card charges were accompanied with just the charge receipt which did not document the goods or services received, and some charges were not accompanied with any type of invoice or receipt. Additionally, the district has not established policies for district-provided food expenditures for employees not on travel status, does not adequately track food expenditures, and did not document the purpose of some food expenditures.

The district has not complied with some of the contractual requirements with the City of Grandview regarding shared telephone and data communication systems. The contract requires the district to be responsible for maintaining the system and the district bills the city for its share of the operating costs. Total annual operating costs have averaged approximately \$350,000, with the city's share averaging approximately \$90,000 annually. The district has not billed the city for its share of 2004 operating costs.

The audit report also includes some other matters related to budgetary procedures, an ethics violation related to a district newsletter, and mobile communications controls upon which the school district should consider and take appropriate corrective action.

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YELLOW SHEET

GRANDVIEW C-4 SCHOOL DISTRICT

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STATE AUDITOR'S REPORT



**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Education  
Grandview C-4 School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Grandview C-4 School District. The school district engaged Daniel, Schell, Wolfe and Associates, P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2004. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit of the district included, but was not necessarily limited to, the year ended June 30, 2004. The objectives of this audit were to:

1. Perform procedures to evaluate the petitioners' concerns.
2. Review internal controls over significant management and financial functions.
3. Review compliance with certain legal provisions.

To accomplish these objectives, we reviewed minutes of meetings, written policies, financial records, and other pertinent documents; interviewed various personnel of the district, as well as certain external parties; and tested selected transactions. Our methodology included, but was not necessarily limited to, the following:

1. We obtained an understanding of petitioner concerns and performed various procedures to determine their validity and significance.
2. We obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.
3. We obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the

provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

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

The accompanying Management Advisory Report presents our findings arising from our audit of the Grandview C-4 School District.



Claire McCaskill  
State Auditor

April 14, 2005 (fieldwork completion date)

The following auditors participated in the preparation of this report:

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

MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

GRANDVIEW C-4 SCHOOL DISTRICT  
MANAGEMENT ADVISORY REPORT -  
STATE AUDITOR'S FINDINGS

<b>1.</b>	<b>Procurement Practices and Records</b>
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District procurement practices and record-keeping need improvement. A review of the expenditure process noted inconsistent bidding procedures and missing or misfiled transaction information, including purchase orders, bidding documentation, and vendor files.

A. Procedures for maintaining district expenditure records need improvement. District personnel had difficulty locating various expenditure records and files. Expenditure records are located at various buildings throughout the district and no standard system is used for maintaining these records. The district's decentralization of purchasing functions may have contributed to this problem. The district is currently in the process of centralizing all of the district's purchasing and associated record keeping functions.

Retention of accounting records is essential to establishing accountability for the district's financial activity. Expenditure files should include all relevant information related to specific expenditures, and they should be properly controlled and filed to ensure they are readily accessible when needed. Procedures for periodic reviews of the accounting records would help improve the accuracy and completeness of the records.

B. The school district does not always solicit bids or retain bid documentation for major purchases. District employees indicated that in most instances, bids were solicited through telephone quotes or other direct contacts with vendors, and other means, such as State of Missouri purchasing contracts, were used; however, documentation showing vendors contacted, prices quoted, and reasons for selecting the successful vendor were not retained for some purchases. Examples of items and services purchased for which bid documentation could not be found or was not sufficient are as follows:

Item Purchased	Cost
Asphalt sealant--labor and materials	\$ 39,115
New doors--labor and materials	53,547
Ditch materials	8,400
Carpet--labor and materials	30,100
Projectors and accessories	24,359
Flooring--labor and materials	11,225
Loader	20,750
Computer equipment	21,488
Heating and cooling--labor and materials	83,151



The district did not have formal procurement policies prior to March 2004, and district personnel indicated the only bidding policy which was regularly followed was the state law that required bids for major construction projects totaling more than \$12,500 (recently changed to \$15,000). The district's procurement policy which became effective March 2004 requires that written bids be obtained for all purchases which involve an expenditure of more than \$5,000. In addition, expenditures over \$300 require documented price quotes from at least three competing vendors or catalogs. While the establishment of formal procurement policies should help ensure bids are solicited for major purchases, some of the purchases noted above were made subsequent to March 2004.

Adequate bidding documentation provides evidence that the district is obtaining the best possible service or product at a reasonable price.

- C. The district did not solicit proposals for architectural services as required by district policy. In 2000, the district obtained a proposal from a single architectural firm and has contracted with this firm exclusively for the past several years. The district had not solicited proposals from other architectural firms since 1996. District policy requires the consideration of at least three qualified firms prior to procuring architectural services. In March 2005, the district did solicit proposals from several architectural firms for consideration on upcoming projects.

To ensure other interested firms have the opportunity to participate in district business and to ensure the district obtains the best services for a reasonable price, the district should follow its policy and solicit at least three proposals when obtaining architectural services.

- D. Purchase orders for several expenditures were missing, incomplete, prepared subsequent to incurring the related expenditure, or did not have the required approval. District policy requires that purchase orders be prepared and approved by a supervisor prior to ordering the applicable goods and services. Purchase orders should be prepared and approved prior to incurring the related expenditures to help ensure expenditures are reasonable and necessary.

Similar findings were noted by the CPA firm that performed the district's financial statement audit for the year ended June 30, 2004.

**WE RECOMMEND** the School Board:

- A. Ensure complete and accurate expenditure files are maintained and establish procedures to provide periodic reviews of the records.
- B. Ensure bids are solicited for all purchases in accordance with district policy and all applicable bid documentation is retained.

- C. Ensure architectural services are solicited by using the criteria defined in district policy.
- D. Require purchase orders be prepared and approved prior to incurring the related expenditure.

**AUDITEE'S RESPONSE**

- A. *We agree that complete and accurate expenditure files need to be maintained consistently. The errors in this area confirm the need, though the variance has been a small percentage of district purchases. Most were attributable to the de-centralization of the purchasing function to schools and departments.*

*Re-centralization of purchasing and reorganization of the business office have been implemented to address these issues.*

- B. *We agree with seeking bids for appropriate items, per Board procedures, and maintaining documentation of actions. In March 2004, the Board established its initial interim purchasing procedures. Prior to the adoption of those procedures, the district bid, bargained/negotiated, and haggled for the best deal for goods and services. In the then decentralized purchasing process, records were not centrally maintained. Of the above purchases, six occurred before the cited board purchasing process was adopted. Board procedures and state law required bids on items over \$12,500 for construction – not for maintenance work or goods and services. Repairs and replacements are generally considered maintenance.*

*On the itemized list of purchases (#'s from audit):*

*Asphalt sealant—labor and materials – Repair of driveways and playgrounds. Project was bid using city specs and lowest bidder dropped out, objecting to following the specs. Winning bidder was second low bidder and selected, documentation can be made available.*

*New doors—labor and materials – Time and materials to repair/replace doors at high school. Quotes sought by telephone for rates.*

*Ditch materials – Ditch repair at high school and parts for storm sewer. Telephone quotes sought before purchase.*

*Carpet—labor and materials – Replace tile and carpet as needed for broken tile or tattered carpet. Telephone quotes done annually for labor and materials and low bidder was selected.*

*Projectors and accessories – Repair parts and replacement parts, plus some new purchases to upgrade services in classrooms, purchased from State/Federal bid list.*

*Flooring—labor and materials – Remove and install new flooring, repair jobs, etc., below required \$12,500 bid threshold in Board policy. Job was bid, documentation can be made available.*

*Loader – Item was bid, documents were misplaced in change of personnel, can be made available.*

*Computer equipment – Materials purchased off of State/Federal bid list.*

*Heating and cooling—labor and materials – Roof top units from Board-approved sole provider chosen from prior RFP's, based on dehumidification capacity of these units. No other manufacturer can provide needed units.*

*While documentation was not provided to cover these items at the time of the audit, several were issues addressed at the Board table where they were approved. All of them were subject to bid, quotes or negotiated purchase, or from State/Federal pre-approved bid lists. The district is committed to getting the most for its money in every instance.*

- C. We disagree that proposals for architectural services were not solicited. In 1996, architectural services were broadly solicited and two were selected. An architect was selected and approved by the Board in February 2000. In March 2005, another broadly targeted solicitation was published and architects were selected and approved by the Board.*
- D. We agree that purchase orders should precede actual purchase (there are emergency exceptions). Purchase orders should be complete with proper approval prior to their execution. Procedures have been modified to assure that appropriate process and sequencing occur.*

**AUDITOR'S COMMENT**

- B. Bid documentation was not made available during the audit upon our request.**

<b>2. Expenditures and Related Matters</b>
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Adequate documentation was not maintained to support some district credit card expenditures. Expenditures for food provided to employees are not tracked and the purpose of some food expenses was not adequately documented. The district spent approximately \$5,500 on brochures which included information to support two ballot measures, which is a violation of state law.

- A. The district did not maintain adequate documentation to support some purchases made with the district's credit cards. Credit card purchases were approximately \$24,000 during fiscal year 2004, and approximately \$46,000 through April 2005. Some credit card charges were accompanied by just the charge receipt which did**

not document the goods or services received, and some charges were not accompanied with any type of invoice or receipt. In particular, many food and travel-related charges did not include detailed invoices or explanations regarding the purpose of the charge.

Without detailed supporting documentation including the purpose of the charge, it cannot be determined if the expenditures were reasonable and necessary uses of public funds.

- B. The district has not established policies for district-provided food expenditures for employees not on travel status, does not adequately track food expenditures, and did not document the purpose of some food expenditures. Overall expenditure totals for non-travel related food cannot be easily quantified as these purchases are not charged to a separate object code on the accounting system, and are normally classified as supplies expense.

In addition, the district does not always document the purpose of food expenditures. For example, several charges on district credit cards were for meals at local area restaurants, including one charge for \$90. District employees stated these meals were for meetings of district officials and others; however, the purpose of the meetings and lists of those attending were not documented.

The district should adopt formal policies for non-travel related food expenditures to ensure such expenditures represent prudent uses of public funds, and ensure adequate documentation is maintained for all such expenditures. In addition, the district should ensure food expenditures are tracked separately and properly classified in its accounting system.

- C. During 2004, the Missouri Ethics Commission determined that the school district spent approximately \$5,500 for publication and postage on a district newsletter, which included some statements that supported two ballot measures. Section 115.646, RSMo, provides that public funds should not be used to advocate, support, or oppose any ballot measure. The Missouri Ethics Commission investigated this incident, ruled that this expenditure was a violation of state law, and imposed a monetary fine of \$300 on both the School Board President and the District Superintendent. The district should adopt policies and procedures to prohibit the spending of district funds to support ballot measures and help ensure compliance with state law.

**WE RECOMMEND** the School Board:

- A. Ensure adequate detailed supporting documentation is maintained for all credit card expenditures.
- B. Adopt policies regarding non-travel related food expenditures to ensure such expenditures represent prudent use of district funds. In addition, such

expenditures should be tracked separately and appropriately recorded on the district's accounting system.

- C. Adopt policies to ensure district funds are not spent to advocate, support, or oppose any ballot measure.

**AUDITEE'S RESPONSE**

- A. *We agree and are requiring more documentation for all credit card expenditures, holding items open for payment until documentation is provided. However, credit cards are often the only payment method acceptable to vendors who will not accept a purchase order, especially with telephone and electronic purchases.*
- B. *We agree that guidelines for the purchase of food by individuals would be prudent. Budget modifications and separate accounts are being created to provide lines to track expenditures for food. Documentation requirements for all purchases have been improved to provide for easier tracking.*
- C. *We agree. Policies exist to prohibit use of district funds in advocacy of ballot issues. Again, the incident cited is the result of a few lines of information within an educative instrument. Presentations strayed from educative neutrality in only a few lines of a multi-paged document. The Board and Administration have agreed to refrain from all advocacies in any future district publications.*

<b>3. Budgets</b>
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The formal budgets approved by the board only include anticipated expenditures by object code for each fund. Revenues, beginning available resources, projected ending resources, comparative data from previous years, debt information, and a budget message are not included.

Section 67.010, RSMo, requires each political subdivision to prepare an annual budget, and Sections 67.010 to 67.080, RSMo, as well as district policies, set specific guidelines for the format, approval, and amendment of the annual operating budget. A complete budget should include a budget message, actual (or estimated for the years not yet ended) revenues and expenditures for the preceding two budget years, the beginning and estimated ending available resources, and information regarding the debt of the political subdivision.

District officials and board members indicated that budget workshops are held at various times during the year, and complete information, such as revenues and comparative data from previous years, is reviewed and discussed during these budget workshops; however, much of this information is not included in the final budget approved by the board. A complete budget document, in addition to meeting statutory requirements, is necessary to inform the public of specific cost and revenue expectations for district operations.

**WE RECOMMEND** the School Board adopt complete and accurate budget documents which include all information required by state law and district policy.

**AUDITEE'S RESPONSE**

*We disagree that the Board budget is incomplete and not in compliance with legal requirements of the State, DESE, or any regulation. The issue is one of formatting. As the district pursues Government Finance Officers Association (GFOA) recognition, the issues of formatting will be addressed with new budget presentation packages.*

**AUDITOR'S COMMENT**

The final budgets approved by the board and presented to the public do not include much of the information required by state law.

<b>4. Mobile Communications</b>
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The district does not have a written policy regarding appropriate use of two-way radio/mobile phones. During the year ended June 30, 2004, the district spent approximately \$52,500 for the utilization of approximately 100 mobile communication units.

Our review of usage for a single month noted some units were not used at all while some were used for several hours. While this usage may be appropriate, it is difficult to determine whether units are only used for district purposes because individual calls are not listed on the billings. A formal written policy is necessary to address appropriate usage, the need and benefit to the district, and monitoring of costs and usage to ensure the two-way radios/mobile phones are used for business purposes. Inappropriate or personal usage may not result in additional direct costs to the district (because the current plan allows for unlimited usage on each unit); however, indirect costs in the form of low productivity may result.

**WE RECOMMEND** the School Board adopt a policy to address the appropriate use and assignment of two-way radios/cellular phones.

**AUDITEE'S RESPONSE**

*We agree. A procedure will be advanced. A district director reviews billings monthly and reconciles usage and charges for each mobile unit each month. Communication is essential to bus drivers and administrators so that they can reach or be reached at any time. Units that are not used are reassessed to evaluate their continued assignment.*

**5.****Telephone and Data Communication Contract**

The district has not complied with some of the contractual requirements with the City of Grandview regarding shared telephone and data communication systems. The district and the city entered into a cooperative agreement contract in 1999 to develop telephone and data communication systems that would be year 2000 compliant. Both entities paid their share of the original hardware and startup costs. The contract requires the district to be responsible for maintaining the system and the district bills the city for its share of the operating costs. Total annual operating costs have averaged approximately \$350,000, with the city's share averaging approximately \$90,000 annually.

There has been some concern by both parties regarding the continuation of this contract, and the district recently contracted with an independent auditor to review effectiveness and efficiency of this contractual agreement with the city. The audit report's conclusions indicate that both parties have not met some of the requirements outlined in the contract. Concerns include the district not providing required training to city personnel, the city not designating someone as a technician for first-tier support, and the lack of a committee to regularly meet and discuss system issues and concerns.

In addition, the audit indicates that while the district has regularly billed the city in the past and the amounts billed have fairly represented the city's share of operating costs, the district has not yet billed the city for its share of 2004 operating costs. During 2004, the city constructed a community center and paid for the communication system hardware and wiring. However, the district and the city have not negotiated a new billing amount based on the city's increased use of the system.

The district should review the current system and contract with the city and determine if it wants to continue this contract, or whether other telephone and data communication systems may be more cost beneficial or better suit its needs. The district should ensure compliance with all the terms of the contract if it continues to use the current system.

**WE RECOMMEND** the School Board review the current telephone and data communication system and determine whether to continue the current cooperative agreement contract with the City of Grandview. If the district continues with the current contract, the board should ensure all requirements of the contract with the city are followed as recommended by the independent auditor.

**AUDITEE'S RESPONSE**

*We agree with this recommendation and have instituted measures to meet criteria in compliance with those recommended.*

HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION



GRANDVIEW C-4 SCHOOL DISTRICT  
HISTORY, ORGANIZATION, AND  
STATISTICAL INFORMATION

The Grandview C-4 School District is located in Jackson County, Missouri.

The district operates one senior high school (grades 9-12), one alternative high school (grades 9-12), one middle school (grades 6-8), one middle/elementary school (grades K-8), and five elementary schools (grades K-5). Enrollment was approximately 4,200 for the 2003-2004 school year. The district employed approximately 711 full- and part-time employees, including 21 administrators, 365 teachers, and 325 support staff.

The Grandview C-4 School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

An elected board acts as the policy-making body for the district's operations. The board's seven members serve 3-year terms without compensation. Members of the board during the year ended June 30, 2004, were:

School Board	Dates of Service During the Year Ended June 30, 2004
Allen L. Meyer, President	July 2003-June 2004
Katherine A. Meyers, Vice President	July 2003-June 2004
Al Kemp, Treasurer (1)	July 2003-June 2004
Cathy Broockerd, Member	July 2003-June 2004
Ann Fisher, Member	July 2003-June 2004
Leonard C. Greene, Member	July 2003-June 2004
Dennis J. Hooton, Member (2)	July 2003-June 2004

- (1) Jon Brax was elected to replace Al Kemp in April 2005
- (2) Elected Board Treasurer in April 2005

The district's other principal officials during the year ended June 30, 2004, are identified on the following page. The compensation of these officials is established by the school board.

<u>Other Principal Officials</u>	<u>Dates of Service During the Year Ended June 30, 2004</u>	<u>Compensation Paid for the Year Ended June 30, 2004</u>
Dr. John Martin, Superintendent (3)	July 2003 to June 2004	\$ 159,600
Debra Nelson, Assistant Superintendent-Human Resource Development (4)	July 2003 to June 2004	99,970
Barbara Tate, Assistant Superintendent-Curriculum and Instruction (4)	July 2003 to June 2004	112,830
Chester Neumann, Assistant Superintendent-Finance (4)	July 2003 to June 2004	106,854
Dr. Joe Gassaway, Director of Special Services (4)	July 2003 to June 2004	82,742

(3) Includes a \$550 per month car allowance (\$6,600 total), a \$15,000 contribution to an annuity, and a \$14,400 contribution to a trust fund.

(4) Includes a \$75 per month car allowance (\$900 total).

Assessed valuations and tax rates for calendar years 2004 and 2003 were as follows:

	<u>2004</u>	<u>2003</u>
Assessed valuation	\$ <u>390,347,914</u>	\$ <u>374,806,323</u>
Tax rates (per \$100 assessed valuation):		
Incidental	\$ 4.97	\$ 4.64
Debt service	.50	.50
Total	\$ <u>5.47</u>	\$ <u>5.14</u>