



Thomas A. Schweich

Missouri State Auditor

Lathrop R-II School District



May 2011

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Thomas A. Schweich
Missouri State Auditor

CITIZENS SUMMARY

Findings in the audit of the Lathrop R-II School District

Fuel	The Lathrop R-II School District does not adequately monitor its diesel fuel usage. The district uses a contractor for bus services, but the contractor uses the district's diesel fuel tank to fuel the buses. Although the contractor submits mileage reports for each bus, until January 2011 the district was not tracking the amount of fuel pumped into each bus, so it was impossible to compare the miles driven to the fuel used to make sure they matched up. The district also does not track any district fuel that gets pumped into the contractor's spare buses, so district fuel could be used to transport others. Finally, the district does not compare the amount of diesel pumped from the tank to the amount of diesel purchased for the tank to make sure that all of the district's fuel is accounted for.
Additional Comments	We evaluated the school district's internal controls over significant functions and compliance with certain legal provisions, including those specifically raised by petitioners. For the areas audited, no significant deficiencies, other than those noted above, were identified. The school district is to be commended for taking the proactive step of establishing a fraud committee which meets twice a year to discuss risk areas and the resolution of problems within the district.

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

American Recovery and Reinvestment Act 2009 (Federal Stimulus)	The Lathrop R-II School District was awarded \$992,460 in federal stimulus funding for the fiscal year ended June 30, 2010 and \$16,425 for the fiscal year ended June 30, 2011. Well over \$900,000 of these funds went toward teacher compensation and development, with the remaining funds expended on technology, bus transportation, supplies, security, and bathroom updates. A detailed listing of the awards is included on the Organization and Statistical Information page following the audit report.
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*The rating(s) cover only audited areas and do not reflect an opinion on the overall operation of the entity. Within that context, the rating scale indicates the following:

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

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Lathrop R-II School District

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THOMAS A. SCHWEICH

Missouri State Auditor

To the Board of Education
Lathrop R-II School District

The State Auditor was petitioned under Section 29.230, RSMo, to audit the Lathrop R-II School District. We have audited certain operations of the district in fulfillment of our duties. The district engaged Westbrook & Co., P.C., Certified Public Accountants (CPAs), to audit the district's financial statements for the year ended June 30, 2010. To minimize duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2010. The objectives of our audit were to:

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

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

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

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

For the areas audited, we identified (1) deficiencies in internal controls, (2) no significant noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our finding arising from our audit of the Lathrop R-II School District.



Thomas A. Schweich
State Auditor

The following auditors participated in the preparation of this report:

Director of Audits:	Alice M. Fast, CPA, CGFM, CIA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Richard Mosha, MBA

Lathrop R-II School District Management Advisory Report State Auditor's Findings

Fuel

Controls over diesel fuel purchased by the district and used for transportation of students are in need of improvement.

The Lathrop School District uses a contractor to provide bus service, but maintains a bulk diesel tank for the drivers to fuel buses. The district purchased \$47,330 in diesel fuel during the year ended June 30, 2010, and \$19,954 during the period July 1, 2010, to December 31, 2010. As required by contract, the provider maintains mileage records for each bus route, showing the beginning and ending miles for each route and the total route miles driven by each bus. Our review of the mileage reports and fueling procedures revealed the following concerns:

- The usage/fuel reports are submitted to the district, but there is no evidence they are reviewed for reasonableness.
- Beginning in January 2011, the drivers began posting the number of gallons of diesel dispensed into each bus on the mileage report. Prior to this time, no record of the fuel usage was maintained, and thus, the district was unable to compare fuel usage to miles driven for reasonableness.
- The contractor indicated he occasionally uses his spare buses to provide services to other districts or to substitute for a Lathrop route when necessary. The district has not adopted controls over fuel usage by the contractor to ensure district fuel is used only for transportation related to the Lathrop School District. Mileage logs are not kept and submitted for the spare buses.
- The district does not have procedures to compare the number of gallons of diesel dispensed to the gallons purchased for the bulk tank. Rather than the district ordering fuel when needed, the fuel contractor periodically checks the fuel level gauge on the tank. If the tank is less than half full, the tank will be filled and the district billed. Logs were not maintained prior to January 2011 of the gallons dispensed, which could be compared to the gallons purchased to ensure all district fuel is accounted for adequately.

Maintenance and review of mileage/usage logs and bulk fuel inventory records, and comparison of log information and inventory records to fuel purchases, are necessary to ensure vehicles and equipment are properly utilized, prevent paying vendors for improper billing amounts, and decrease the risk of theft or misuse of fuel occurring without detection.

Recommendation

The Lathrop R-II School District Board of Directors develop procedures for reviewing usage/fuel reports submitted by the bus contractor and reconciling the fuel purchases to the amount dispensed.



Lathrop R-II School District
Management Advisory Report - State Auditor's Findings

Auditee's Response

The Lathrop School Board provided the following written response:

We agree to your recommendation and are taking immediate action to ensure internal control by adequately monitoring fuel purchases and usage.

Lathrop R-II School District

Organization and Statistical Information

The Lathrop R-II School District is located 3 miles west of Interstate 35 (25 minutes north of Kansas City) on state highway 116 and encompasses 104 square miles in Clinton County and 9 square miles in Caldwell County.

The district operates a senior high school (grades 9-12), a middle school (grades 6-8), and an elementary school (grades K-5). Enrollment was 892 for the 2009-2010 school year. The district employed 125 full-time and 9 part-time employees as of June 30, 2010, including 1 superintendent, 3 principals, 1 assistant principal, 1 special services director, and 78 certified and 50 non certified employees.

The Lathrop R-II School District has been classified under the Missouri School Improvement Program as "Accredited" by the Missouri Department of Elementary and Secondary Education.

School Board

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 at June 30, 2010, were

Jeff Wright, President
Ray Sellers, Vice -President
Kelly Butler, Treasurer
Virginia Barrett, Member
Robin Douglas, Member
Teona Harris, Member
Jerry Archer, Member

Superintendent

The district's superintendent at June 30, 2010, was Dr. Chris Blackburn and her annual compensation was \$105,612. The superintendent's compensation is established by the school board.

American Recovery and Reinvestment Act of 2009 (Federal Stimulus)

According to school district personnel, the district was awarded the following American Recovery and Reinvestment Act of 2009 funding:

State Fiscal Stabilization Fund (SFSF) - Education State Grants were awarded by the U.S. Department of Education to the state of Missouri Department of Elementary and Secondary Education (DESE) and \$630,956 was passed through to the Lathrop School District during the year ended June 30, 2010. The district expended these funds for teacher salaries.

A SFSF-Government Services Grant was awarded by the U.S. Department of Education to the state of Missouri DESE and \$14,349 was passed through to the Lathrop School District during the year ended June 30, 2010. The district expended these funds for bus transportation.



Lathrop R-II School District Organization and Statistical Information

A SFSF-Government Services Grant was awarded by the U.S. Department of Education to the state of Missouri DESE and \$103,150 was passed through to the Lathrop School District during the year ended June 30, 2010. The district expended these funds to continue the career ladder program which provides teachers with extra pay for things such as after school tutoring.

A Title I Grant to Local Educational Agencies was awarded by the U.S. Department of Education to the state of Missouri DESE. Through this grant, the state of Missouri DESE reimbursed the Lathrop School District \$20,566 during the year ended June 30, 2010, and \$16,425 during the year ended June 30, 2011, for \$36,991 expended by the district during the year ended June 30, 2010, to assist with teacher salaries and benefits, technology, and teacher development.

Special Education Grants to States were awarded by the U.S. Department of Education to the state of Missouri DESE and \$221,950 was passed through to the Lathrop School District during the year ended June 30, 2010. The district expended \$179,003 for teacher salaries and benefits, with the remaining \$42,947 expended on computer software to assist students, testing supplies, school bathroom updates, computer labs, security, and additional technology.

An Education Technology State Grant was awarded to the state of Missouri DESE by the U.S. Department of Education and \$1,489 was passed through to the Lathrop School District during the year ended June 30, 2010. The district expended these funds for additional technology.