

**MANAGEMENT LETTER OF
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2003**

GK&C



GERDING, KORTE & CHITWOOD

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September 22, 2003

To the Audit Committee and Board of Education
Columbia Public School District
Columbia, Missouri

We have audited the financial statements of Columbia Public School District (the "District") for the year ended June 30, 2003, and have issued our report thereon dated September 22, 2003. Our professional standards require that we provide you with the following information related to our audit.

This report is intended solely for the information and use of the Audit Committee, Board of Education, management, and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Gerding, Korte & Chitwood
Certified Public Accountants

ROBERT A. GERDING FRED W. KORTE, JR. JOSEPH E. CHITWOOD JAMES R. MCGINNIS

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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SECTION ONE

Professional Standards Communication

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 14, 2003, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the Columbia Public School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Columbia Public School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2003. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by District that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments. Those adjustments were accepted by the District's management and posted to the financial records of the District.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing issue that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those financial statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Columbia Public School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

SECTION TWO

Financial Reporting Issues

Independent Auditors' Report

Our opinion on the financial statements is an unqualified opinion on the District's general purpose financial statements.

Internal Control

We are not reporting any material weaknesses in the internal controls of the District.

Compliance

With respect to compliance we have issued three separate reports. In the three reports we are not reporting any instances of material noncompliance with laws, regulations or contracts that have a direct, material impact on the financial transactions of the District.

SECTION THREE

Observations and Recommendations

During our audit, we became aware of matters that are opportunities for strengthening internal controls. The following paragraphs summarize our comments and suggestions regarding those matters.

Payroll Classification

During our testing of payroll transactions, we noted three instances in which payroll transactions were misclassified between two of the District's Federal programs. The errors were corrected. However the existence of the errors indicates a need for better and more timely communication between the departments of the District responsible for hiring and placement and those responsible for classifying and recording transactions.

Overtime Compensation

We noted several instances where District employees were paid significant levels of overtime compensation. In discussing this issue with District management, we were made aware of instances where the overtime pay was expected, budgeted and justifiable. However, there were also instances where the amount of overtime did not seem as well monitored. We suggest that a system of monitoring overtime pay be developed so the level of overtime pay can be monitored both at the individual employee level and in total.

General Ledger Account Reconciliation

During the testing of investment balances recorded by the District, we noted an error in the recorded investment balance of the District's Workers Compensation Fund. In discussing this error with the District's accounting staff, we noted that responsibility for reconciling investments with the amounts recorded in the general ledger had not been delegated, with respect to the fund in question. We suggest that all balance sheet accounts of the District be reconciled to the general ledger regularly, and that this responsibility be assigned accordingly.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



MEMORANDUM

TO: Members, Board of Education
FROM: Dr. Phyllis A. Chase *PK*
SUBJECT: Auditors' Management Letter
DATE: December 9, 2003

At the conclusion of the annual audit it is customary for the auditors to provide the administration and the Board of Education with a management letter. The purpose of the management letter is to provide the district with comments and suggestions which the auditors believe will improve internal controls and operating efficiency. Below, I have provided our response to the auditors' management letter.

Payroll Classification

As employees are hired, it is the responsibility of the hiring department to provide funding and classification information to the Human Resources department, which is ultimately provided to Business Services for payroll purposes. However, the auditors noted three instances involving the district's federally-funded special education program where the information for payroll classification was not communicated accurately or on a timely basis.

Information will be obtained from the Special Education department earlier in the year to review payroll classifications. In addition, the Core Data information should be available earlier in the year to cross-check payroll classifications and to make any corrections, if necessary. The Human Resources department will be encouraged to implement quality control measures, as well as to ensure information provided to Business Services is correct and timely.

Overtime Compensation

The auditors noted several instances of overtime compensation. In discussing this issue with district administration, the auditors were made aware of instances where overtime pay was appropriate and budgeted. However, the auditors recommend a system be developed to monitor overtime district-wide and not just at the building level.

A report is being developed listing overtime by employee and will be sent to the deputy superintendent on a quarterly basis. The deputy superintendent will review with the appropriate assistant superintendent overtime in the various departments by employee, each quarter.

In addition, the auditors have recommended extending the use of the time clock system to all hourly non-exempt staff for the purpose of recording and monitoring time and attendance of support staff. Currently, the time clock system is in use for approximately 80 percent of the district's support staff. The administration will fully implement this recommendation for the 2005 fiscal year.

General Ledger Reconciliation

The auditors noted an error in the investment balance of the Workers Compensation Fund and recommend that this balance sheet account, as all other balance sheet accounts, be reconciled on a regular basis.

All balance sheet accounts are to be reconciled on a regular basis. This responsibility apparently had not been clearly communicated in the past, but now has been assigned, and communicated, to the accounting staff to periodically reconcile this account.