

**AUDIT COMMUNICATIONS LETTER FOR
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2006**

GK&C
GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants

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October 13, 2006

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, 2006, and have issued our report thereon dated October 13, 2006. 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.

PARTNERS

Robert A. Gerding
Fred W. Korte, Jr.
Joseph E. Chitwood
James R. McGinnis
Travis W. Hundley

Sincerely,


Gerding, Korte & Chitwood
Certified Public Accountants

SECTION ONE

Professional Standards Communication

Our Responsibility Under U. S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated May 18, 2006, 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 and are fairly presented in accordance with U. S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit we considered Columbia Public School District's internal control financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Columbia Public School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Columbia Public School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Columbia Public School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Columbia Public School District's compliance with those requirements.

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 the 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.

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. Governmental Accounting Standard No. 39 was adopted during 2005 resulting in the inclusion of The Columbia Public School District Foundation in the basic financial statements of the District. The application of existing policies was not changed during the fiscal year ended June 30, 2006. 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.

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 two Federal 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. In the state compliance report we are reporting noncompliance with transportation requirements.

Other Issues

In accordance with current professional standards, we assessed the risk of fraud in planning and performing our audit. The following are the areas of fraud risk we identified in the analysis of the District's financial statements:

- Basis of Accounting - The District uses the accrual basis of accounting. This basis of accounting is the most comprehensive basis of accounting. However, misapplication of accounting principles, either intentional or inadvertent, can cause financial data to be misstated.
- Cash Collections/Deposits - Collections of cash through student activity events and fund raising events and the District's lunch/breakfast program increase the risk of misappropriation by employees. The risk in the student activities area can be mitigated by requiring count sheets, receipts, rosters or other documentation with each deposit. The lunch/breakfast program risk can be mitigated through the proper use of the software used by the District to track student account balances, sales and daily collections. In either case, management's review and monitoring of amounts deposited is essential to the internal control process.
- Management Override - In any system of internal control, management may have the ability to execute and record transactions outside the scope of the normal accounting system. Management may also have the ability to approve transactions that are self-serving and conceal the nature of those transactions. Board oversight in the approval of transactions and budgets is essential in the effort to minimize the risk of management override.

SECTION THREE

Observations and Recommendations

During our audit, we became aware of a matter that is an opportunity for strengthening internal controls and compliance. The following paragraph summarizes our comment and suggestion regarding this matter.

Transportation Compliance

We are required by the Missouri Department of Elementary and Secondary Education to report to the Board of Education regarding compliance with regulations affecting transportation aid. With respect to pupil transportation count data we are required to report if the system used by the District produces ridership records that are "accurate and verifiable." This year our opinion related to compliance with this requirement was adverse.


The reason for the adverse opinion was that we found the transportation ridership count information related to the October 2005 count period to be inadequate to make the accurate and verifiable assertion in a positive manner. We have reviewed this information with the District's administration and the District's transportation provider and believe they understand the nature of the problems encountered. The transportation ridership count information related to the February 2006 count period was found to be acceptable.

We have made recommendations regarding future improvements in tracking ridership count data to the District's administration. The recommendations relate primarily to providing bus drivers with more accurate lists of potential bus riders, clear communication of expectations between the District and the transportation contractor, and contemporaneous analysis of count results.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.



MEMORANDUM

TO: Board of Education Members
FROM: Dr. Phyllis A. Chase 
SUBJECT: Auditors' Communication Letter
DATE: December 12, 2006

At the conclusion of the annual audit, it is customary for the auditors to provide the administration, the Audit Committee, and the Board of Education with a communication letter. The purpose of the communication 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' communications letter.

Transportation Compliance

The district's auditors noted a finding in the state compliance section relating to the sufficiency of the October 2005 student ridership counts. While our counts are believed to be low, the documentation of the counts was not sufficient to satisfy the auditors as to the accuracy of the counts. The February 2006 counts were deemed to be reasonable and the documentation sufficient to substantiate said counts.

The recommendation is that new procedures be set into place to improve the reliability of the twice-annual counts performed. The increased procedures have been set into place, including providing more accurate potential rider lists to the drivers; heightened involvement of both the First Student manager and the district's Coordinator of Transportation; and an internal audit of the counts to be performed by the Columbia Public Schools Business Services office.

We believe these measures will assure compliance with this Missouri statute in the current fiscal year.

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