

**AUDIT COMMUNICATIONS LETTER FOR
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2009**

GK&C
GERDING, KORTE & CHITWOOD

Professional Corporation
Certified Public Accountants



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November 13, 2009

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

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In planning and performing our audit of the financial statements of Columbia Public School District (the "District") for the year ended June 30, 2009, in accordance with U. S. generally accepted auditing standards, we considered Columbia Public School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Columbia Public School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Columbia Public School District's internal control.

PARTNERS

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.


Our comments concerning internal control and other significant matters are presented as follows:

- I. Deficiencies Considered to be Material Weaknesses
- II. Significant Deficiencies
- III. Other Current Year Matters
- IV. Status of Prior Year Comments
- V. Professional Standards Communication

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

We want to express our sincere appreciation to Dr. Chris Belcher, Dr. Nick Boren and Linda Quinley and other staff for the cooperation and assistance received during the audit engagement and for the opportunity to serve Columbia Public School District.

Sincerely,


Gerding, Korte & Chitwood
Certified Public Accountants

I. DEFICIENCIES CONSIDERED TO BE MATERIAL WEAKNESSES

We noted no deficiencies that are considered to be material weaknesses.

II. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT DEFICIENCIES

A. Segregation of Duties

Criteria: The objectives of internal control are to provide reasonable, but not absolute, assurance that assets are safeguarded and the financial statements are reliable. When the duties of one employee involve complete control over most, or all, aspects of an accounting cycle, without the involvement of other intervening employees, conflicts with the internal control objective may arise. This kind of conflict is generally referred to as a lack of segregation of duties.

Condition: Columbia Public School District has potential conflicts with personnel who have the ability to single-handedly access, record and report transactions related to student activities (ECA) in general and Career Center revenue.

Effect: The lack of segregation of duties increases the risk of both fraud and error within the Columbia Public School District's accounting system and financial statements.

Recommendation: To address the segregation of duties issue we recommend, where practical, cross-training of building support staff and periodic rotation of duties among accounting staff.

III. OTHER CURRENT YEAR MATTERS

A. Miscellaneous Accounting Issues

Outstanding Checks: During testing of the District's cash accounts, we noted several large checks were being carried as outstanding (reconciling) items in the medical benefits fund. Because of the nature of the amounts outstanding, we believe some of the checks were not simply misplaced by the payee, but instead represent amounts that should have been voided.

We recommend that as part of the reconciliation process outstanding checks be investigated to determine if the amount represents a continuing obligation to the District. If the obligation still exists, the check should be reissued; otherwise, the outstanding check should be voided and the amount added back to the checking account balance.

Budgeted Transfers: During our review of the 08-09 budget documents, we noted an error in the budget summary where an inter-fund transfer was approved from the general fund with no corresponding transfer recorded for the receiving fund. This error seems to be a simple oversight and was corrected in the Comprehensive Annual Financial Report.

Accounts Payable: We noted accounts payable at June 30, 2009 did not reconcile to the detail of the amount paid subsequently, by each fund. This error occurred because payments on invoices were made from the incorrect fund. We recommend that both accounts payable and inter-fund cash be regularly monitored and reconciled to avoid errors. Audit adjustments were recorded to correct this problem.

B. Payroll Contract Simplification

We noted approximately 200 certificated employees (primarily staff with administrative or supervisory responsibilities) receive contract pay for additional days worked beyond a normal teacher's contract of 187 days. The number of additional days paid ranges from 2 to 48 days. Currently, these employees are required to submit a tentative schedule of planned days to work, which is consistent with a recommendation made in the prior year audit communications letter.

Additionally, many of these employees receive stipends and an additional "index" factor to determine their total compensation. The stipends and indexes serve to convert wages determined according to the Teachers Salary Schedule to a higher rate for the additional responsibilities of supervision or administration.

We believe the number of contract variables used by Columbia Public School District is unusual and difficult to monitor. Generally, other Districts tend to use "monthly" (as opposed to "daily") to define contract terms with administrative staff and then maintain separate standard calendars for each position assigned to the respective contract. Contract stipends are typically used to compensate staff with teaching contracts and supervisory responsibilities. The use of indexing seems to be somewhat unique to Columbia Public School District.

We recommend the District consider a standardization or simplification of contract variables for its staff. By simplifying the number of contract variables, monitoring and budgeting of payroll costs and staff schedules could be simplified, thereby improving internal control.

IV. STATUS OF PRIOR YEAR COMMENTS

A. Payroll Control

Condition: In the prior year we reported that the District's payroll budget methodology might be improved to achieve greater internal control. Consideration of expected employee replacement, extra-duty costs and stipends were not clear in the budget process. Additionally, unbudgeted new hires during the year were not receiving board approval.

Status: The District's Administration has begun a long-term plan to reevaluate its payroll budgeting concerns. While not all recommendations of the prior audit could be implemented in 2009, progress was made, and the 2010 budget continued the progress.

B. Attendance Software

Condition: In the prior year during our testing of attendance data for compliance with State regulations, we noted errors related to attendance totals compared to prior years and one attendance center that did not meet the required minimum hours of attendance as set by State law. The attendance data was corrected and resubmitted to the State.

Status: The District provided training to attendance secretaries and principals, worked with the software vendor to correct any programming issues, and performed tests of the attendance calculation periodically. This issue is substantially resolved.

C. Budget Compliance

Condition: In the prior year the amended budget for the Teachers' Fund authorized a deficit fund balance. Additionally, the actual expenditures of the Capital Projects Fund exceeded the amended budget authorization.

Status: There was no budgetary non-compliance in the current year. This issue has been substantially resolved.

D. Extra-Curricular Activities (ECA) Disbursements

Condition: In the prior year during our test of ECA disbursements, we noted ECA funds were used to reimburse expenses associated with travel to a conference that seemed to be appropriately recorded as professional development. Additionally, we noted ECA funds were used for travel costs associated with family members of employees.

Status: In the current year we noted no inappropriate reimbursements from ECA accounts. Furthermore, the employee family member travel costs were added to the employee's taxable compensation. These issues are substantially resolved.

E. Grant Authorization, Accounting and Reporting

Condition: In the prior year we noted numerous instances where the business office was not notified of the existence of grants, employees costs were not properly assigned to grant activities within the District's general ledger and expense codes were not properly assigned.

Status: The District implemented a new grant policy requiring Superintendent or Board approval before a grant application is filed. After approval of the grant the business office is notified of the grant. This issue is substantially resolved.

F. Purchasing Cards

Condition: In the prior year the District's internal audit disclosed that employees misuse the purchasing cards by splitting purchases that exceed the card limits into two separate transactions. The District warns the employee for the first infraction and suspends the use of the card for a period of time after the second infraction.

Status: The District suspended the use purchase cards for misuse during 2009. This issue is substantially resolved.

G. Subrecipient Monitoring and Allowable Costs/Cost Principles

Condition: In the prior year we made recommendations to improve monitoring of sub-recipients costs related to certain grants.

Status: There were no sub-recipients to monitor in the current year.

H. Other Payroll Issues

Condition: In the prior year we reported regarding intra-district travel reimbursement arrangements with certain employees. Based upon data received during the audit process, it appeared that the reimbursements could be better structured to be non-taxable and provide a more accurate accounting of cost to the District.

Status: In January, 2009 the District implemented a new travel reimbursement procedure that should achieve stronger internal control over this area.

Condition: In the prior year we reported that numerous certificated employees receive contract pay for additional days worked beyond a normal teacher's contract of 187 days. However, there is no exact calendar, or work schedule, in place to document what days these employees are expected to work. Additionally, there is no requirement for these individuals to document the days they work.

Status: This continues to be an issue and is addressed in item III.A. above.

V. PROFESSIONAL STANDARDS COMMUNICATION

A. Nature of Engagement

We were engaged to perform an opinion audit of Columbia Public School District's financial statements as of and for the year ended June 30, 2009.

B. Our Responsibility Under Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated May 18, 2009, 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, fraud, or other illegal acts may exist and not be detected by us. As part of our audit, we considered the internal control of 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.

C. 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 Columbia Public School District are described in Note 1 to the financial statements. There were no new accounting policies adopted in 2009. 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, of transactions for which there is a lack of authoritative guidance or consensus.

D. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

E. 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 judgment, 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. The identification and preparation of adjusting journal entries is a joint process between the audit staff and the District's accounting staff. If variances were identified during audit fieldwork, the District's accounting staff was notified and would prepare and post an adjusting entry to correct the variance.

F. Material Corrected Misstatements

We proposed no adjustments of a material nature relative to the net assets of the District taken as a whole.

G. Significant Corrected Misstatements

We proposed several adjustments that could be described as significant. The most significant of these entries was one entry to correct the balances for accounts payable maintained in several funds.

H. 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 matter 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.

I. 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.

J. 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 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.

K. Difficulties Encountered in Performing the Audit

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



MEMORANDUM

TO: Board of Education Members

FROM: Dr. Chris Belcher *CB*

SUBJECT: Auditors' Communication Letter

DATE: December 22, 2009

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

Segregation of Duties

The District agrees that our staffing levels in the areas of Extra Curricular Activities and the Columbia Area Career Center allow for increased risk of fraud and error. While there were no losses discovered during the year or during the course of the audit, we are conscious of the risk. Staffing levels and budgetary restrictions prevent us from making significant improvements in that which would eliminate the risk entirely.

The Business Services office will continue to provide oversight and control of all cash transactions. Additionally, during the implementation of the new finance software system, any improvements that can be made to reduce risk will be implemented.

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