



**Thomas A. Schweich**  
Missouri State Auditor

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# Grandview C-4 School District



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August 2014

Report No. 2014-062

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<http://auditor.mo.gov>



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Missouri State Auditor

# CITIZENS SUMMARY

## Findings in the audit of the Grandview C-4 School District

<p><b>Bonds</b></p>	<p>The district needs to improve its handling of bond projects and methods for issuing bonds. The district utilized the federal Qualified Zone Academy (QZA) program to issue some bonds. The federal government assists a school district with the financing costs on these type bonds, resulting in significant savings to the district, but some QZA program requirements are not being met. The district took no action from 2008 to 2013 to ensure it received the contributions committed to by the private business partner. Agreements with the business partner indicated contributions valued at approximately \$57,000 per year will be made related to the 3 QZA issuances since 2008, but none have been made to date. In addition, the district used some QZA bond proceeds in a manner not allowed under the QZA specific restrictions or state law that limits the use of bond proceeds by a school district to purchasing land for a school site, erecting or furnishing a school or library, building additions or repairs to existing buildings, and purchasing school buses or other transportation equipment. The district spent \$117,000 of these funds on various band and athletic uniforms. The district used the same provider to serve as both financial advisor and bond underwriter for all of its bond issuances and sold these bonds using a negotiated sale rather than a competitive bid process. The district did not prepare and make available to the public specific plans and budgets to document how bond issuance proceeds would be used, and it was unable to provide a summary, including budgeted and actual amounts spent, for the proceeds from the \$7 million May 2012 bond issuances.</p>
<p><b>Bank Reconciliations</b></p>	<p>The district's bank account did not balance with its general ledger fund for fiscal years 2011 through 2013, and there is an unidentifiable difference of approximately \$35,000 in the general ledger as of July 2013. The district should timely investigate and correct bank reconciliation differences.</p>
<p><b>Procurement Practices</b></p>	<p>District personnel do not timely issue purchase orders for all goods and services. For 6 of the 30 items tested, the district issued purchase orders after the goods or services were purchased. The district has used the same law firm as the district counsel since June 2009 without soliciting proposals.</p>
<p><b>Computer Controls</b></p>	<p>The district does not require passwords be changed periodically, and its computers do not shut down after a certain period of inactivity or lock after a specified number of incorrect logon attempts. The district does not store data backups at a secure off-site location, which increases the risk a disaster impacting the district systems would also adversely impact the backups.</p>
<p><b>Sunshine Law</b></p>	<p>Agendas and/or minutes were not available for some monthly audit and facilities improvement team committee meetings.</p>

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Capital Assets

The district lacks adequate property procedures and records for capital assets other than tablet computers. Individual assets are not listed, the list is not updated as assets are purchased, and the district does not perform a physical inventory.

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

\*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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# Grandview C-4 School District

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# THOMAS A. SCHWEICH

## 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. We have audited certain operations of the district in fulfillment of our duties. The district engaged DSWA, Certified Public Accountants, P.C., to audit the district's financial statements for the year ended June 30, 2013. To minimize duplication of effort, we reviewed the CPA firm's audit report. The scope of our audit included, but was not necessarily limited to, the year ended June 30, 2013. 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; site visits; inspection of capital assets; analysis of comparative data obtained from external or internal sources 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 district's management and was not subjected to the procedures applied in our audit of the district.

For the areas audited, we identified (1) deficiencies in internal controls, (2) noncompliance with legal provisions, and (3) the need for improvement in management practices and procedures. The accompanying Management Advisory Report presents our findings arising from our audit of the Grandview C-4 School District.



Thomas A. Schweich  
State Auditor

The following auditors participated in the preparation of this report:

Deputy State Auditor:	Harry J. Otto, CPA
Director of Audits:	Regina Pruitt, CPA
Audit Manager:	Todd M. Schuler, CPA
In-Charge Auditor:	Richard Stuck
Audit Staff:	Richard Mosha, MBA Andrew Behrens

# Grandview C-4 School District Management Advisory Report State Auditor's Findings

## 1. Bonds

Improvement is needed in the handling of bond projects and methods for issuing bonds.

### Background

District voters approved a \$6 million general obligation (GO) bond issue in April 2007, a \$7 million GO bond issue in April 2011, and a \$9 million GO bond issue in April 2013. These approved bonds were sold through 7 separate issuances beginning in 2008. Some of the GO bond issuances qualified under the Qualified Zone Academy (QZA) and Qualified School Construction (QSC) bond programs.

Election Date	Bond Type	Issue Date	Amount
<b>April 3, 2007</b>			
	2008 QZA	April 5, 2008	\$ 1,500,000
	2008 GO	July 31, 2008	1,500,000
	2010 QSC	June 2, 2010	1,837,413
	2010 QZA	September 1, 2010	1,162,587
			<b>\$ 6,000,000</b>
<b>April 4, 2011</b>			
	2012 QZA	May 1, 2012	\$ 5,500,000
	2012 GO	May 1, 2012	1,500,000
			<b>\$ 7,000,000</b>
<b>April 2, 2013</b>			
	2014 GO	January 8, 2014	\$ 5,000,000
	Not yet issued		4,000,000
			<b>\$ 9,000,000</b>

### Qualified Zone Academy bonds

The QZA program is a federal government program available to school systems that provides the bondholder with a federal tax credit in lieu of a cash interest payment (for 2010 QZA program bond issuances the school systems paid interest to bondholders and received reimbursement from the federal government). A district must have a source of funding available (a voter approved GO bond) before applying with the Missouri Department of Elementary and Secondary Education (DESE) to have its bonds approved for the QZA program. To be eligible for the QZA program, the district must have written commitments from private entities to make qualified contributions valued at no less than 10 percent of the proceeds of the bond issue. Eligible contribution methods include cash, equipment, and technical assistance in developing curriculum or training teachers, as well as internships and field trips that allow students to learn outside the classroom. The QZA program funds are restricted by federal regulations to repairing and renovating existing buildings, acquiring new and more up-to-date equipment, developing educational programs, and training quality teachers, although state law only authorizes bond monies to be spent for the first two of these four areas.



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Qualified School  
 Construction bonds

The QSC program is a federal government program that can be used for renovation and rehabilitation projects, equipment purchases, and can also be used for new building construction and land acquisition. Similar to the QZA program, the district must also have available funding for this program and applications to issue bonds using this program must be submitted to the DESE for approval. Once the QSC bonds are issued by the district, bondholders receive a federal tax credit in lieu of a cash interest payment.

The Internal Revenue Service (IRS) is responsible for the administration of both the QZA and QSC programs and may audit accounting records and other program related documentation.

General Obligation  
 Refunding bonds

The district has also refunded bonds on multiple occasions over the past several years.

Refunding Bonds	Issue Date	Amount	Bonds Retired
2008A	June 25, 2008	\$ 8,410,000	2003A
2009	February 18, 2009	4,000,000	2003B
2010A	July 14, 2010	6,495,000	2005
2012B	April 12, 2012	9,650,000	2007A, 2008A, 2009
2013	February 28, 2013	3,000,000	2004
		\$31,555,000	

GO refunding bonds are similar to GO bonds but proceeds are used to refund previously issued bonds at a lower interest rate. Refunding bonds do not require a public vote.

Our review of the district's procedures for monitoring bond projects and program compliance requirements identified the following concerns.

1.1 QZA bonds partnership  
 and expenditures

The district is not complying with QZA program requirements. The district has issued QZA bonds 3 times since 2008, with a total issuance of approximately \$8.2 million.

Partnership

The district has taken no action from 2008 to 2013 to ensure it received the contributions committed to by the private business partner. The district's business partner, a local bank, entered into written agreements in conjunction with the 3 QZA issuances since 2008 to provide a contribution, which as of the third QZA issuance totaled approximately \$820,000 (10% of the value of the bonds issued), mainly through providing summer internships to district students. The written agreements detailing the pledges each indicate a specified amount that will be contributed over a certain number of years (typically 12 to 15 years). Currently, the pledges associated with the 3 QZA issuances since 2008 total approximately \$57,000 per year. The district has not implemented a student internship program with the



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private business partner and the business partner made no contributions of any kind to the district from 2008 to 2013. The applications made to DESE for each of the last 3 QZA issuances (in 2008, 2010, and 2012) all include a certification the business partner commitments were in place, which they were, but district officials knew the contributions had not begun for the 2008 issuance at the time of the second application and both the 2008 and 2010 issuances at the time of the third application. It is questionable whether district officials and the business partner expected the partnership commitments to be fulfilled. District officials indicated the bank has been the district's business partner since at least 2002 and they contacted the bank in late 2013 to inquire about the contributions. Bank representatives informed them the bank was now under new ownership and did not plan to honor the prior agreements with the district.

Enforcing the agreement with the current business partner, or identifying a new partner, will help ensure the compliance requirements and IRS regulations of this program are met, as well as providing a substantial amount of valuable services and/or equipment beneficial to the students of the district.

## Expenditures

Some uses of QZA bond proceeds were not allowable under state law or QZA program restrictions. During the 2011-2012 school year, district records show use of approximately \$117,000 in QZA bond proceeds for the purchase of various uniforms for athletic programs, the band, and choir. State law and QZA program restrictions do not allow use of bond proceeds for such purposes.

Section 164.121.1, RSMo, states the allowable uses of bond proceeds by a school board and these include, purchasing land for a school site, erecting or furnishing a school or library, building additions or repairs to existing buildings, and purchasing school buses or other transportation equipment.

## 1.2 Bond financing

The district used the same provider to serve as both financial advisor and bond underwriter for all of its bond issuances, and sold these bonds using a negotiated sale rather than a competitive bid process.

During fiscal years 2008 through 2013, the district sold 5 general refunding bond issues totaling approximately \$31.6 million and 6 general obligation bond issues (including the QZA and QSC bond issues) totaling approximately \$13 million through negotiated sales. For each sale, the bond underwriter also served as a financial advisor to the district. Using the same provider to act in the dual capacity of underwriter and financial advisor for a bond issue creates an inherent conflict of interest. In addition, the district relied on the advice of the bond underwriter instead of seeking open bids to assure the most competitive rate of return for taxpayers. The district's bond



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underwriter, who also acted as the financial advisor received underwriter fees for the 13 bond issues totaling approximately \$500,000.

The lack of independent financial advice could result in the district not being adequately informed of bond issuance options or being unable to adequately evaluate bond proposals. The underwriter does not have a fiduciary responsibility to the district.

The State Auditor's office completed a statewide review of general obligations bond sales practices<sup>1</sup> that determined negotiated bond sales historically result in increased interest costs. While Missouri law does not require competitive sales of these types of financing instruments or competition in selecting bond underwriters and financial advisors, competitive sales would likely result in lower interest costs for the district, and competition in selecting bond underwriters and financial advisors is important to ensure services are obtained from the best qualified providers at a fair price.

### 1.3 Planning and monitoring bond projects

The district did not prepare and make available to the public specific plans and budgets to document how bond issuance proceeds would be used. Ballot language for each bond issue is broad-based allowing usage of the bond proceeds for various potential capital improvement projects at district schools. The district did not prepare a listing of the specific projects or planned uses of the funds, along with cost estimates, related to each bond issuance. In addition, the district has not developed a mechanism for tracking costs related to projects completed using bond proceeds. The district was unable to provide a summary, including budgeted and actual amounts spent, for the projects completed with the proceeds from the \$7 million May 2012 bond issuances. District records tracked overall spending of these monies, but not by specific project.

To ensure bond monies are spent for the intended purposes, the district should prepare budgets showing how the proceeds of each bond issuance will be used and develop a system for budgeting and tracking costs related to each project funded from each bond issue. In addition, monitoring of these reports periodically will help identify how projects are progressing and timely identify any funding problems.

## Recommendations

The School Board:

- 1.1 Comply with the private business partnership requirements of the QZA program and ensure all expenditures using QZA bond proceeds are allowable and reasonable.

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<sup>1</sup> Report No. 2013-116, *General Obligation Bond Sales Practices*, issued in November 2013.



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- 1.2 Pursue open competition in any future bond sales and discontinue using an underwriter who also acts in a dual capacity as financial advisor.
- 1.3 Ensure written plans are developed for uses of each bond issue detailing specific projects that will be completed, along with cost estimates. In addition, ensure adequate monitoring of budgeted and actual project costs is performed and documented on future projects.

## Auditee's Response

*The School Board provided the following written responses:*

- 1.1 *The district agrees it should comply with the private business partnership requirements of the QZA program and ensure all expenditures using QZA bond proceeds are allowable and reasonable.*

*The private business partner provided some internships through the Grandview Education Foundation for bonds issued prior to 2008. District staff continue efforts with both the current and previous owners of the partner to determine whether the requirements will be met. Moving forward, should the district participate in the QZA program, the partnership agreement will be specific in how the contribution will be met, and a tracking mechanism will be established and monitored on an on-going basis.*

*The district's identification of uniforms as a QZA expenditure was an oversight. When brought to staff's attention, an alternative funding source was identified, releasing the QZA funds for other projects, correcting this error.*

- 1.2 *The district agrees that competitive sales of bonds may result in lower interest costs for the district and that competition in selecting bond underwriters and financial advisors will ensure services are obtained from the best qualified providers at a fair price.*

*The district will consider a competitive sale the next time bonds are issued. Additionally, administration will solicit proposals for underwriters and financial advisors during the current fiscal year.*

- 1.3 *The district agrees that specific projects, with budgets, should be identified and made available to the public to document how bond issuance proceeds will be used. Additionally, monitoring of each project funded from each bond issue should be maintained and reported.*

*The district's Facilities Improvement Team, working in concert with the Superintendent, will recommend specific projects for the next*



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*bond issuance. The listing, with budget estimates for each project, will be presented to the Board of Education.*

*District staff will prepare a monitoring mechanism to track costs associated with each project funded from each bond issue this fiscal year. The report will be presented to the Board of Education periodically.*

## 2. Bank Reconciliations

The district was unable to reconcile its bank account with its general ledger fund balances for fiscal years 2011 through 2013. In the district's financial statement audit for the year ended June 30, 2011, the district's independent auditor reported the difference between the general ledger fund balance and the fund cash accounts for the year ended June 30, 2011, was approximately \$241,000. In February 2012, the district entered into an agreement with its auditor to provide consulting services to identify the reasons for the discrepancy. Approximately \$221,000 of the difference was identified. At June 30, 2012, the difference between the general ledger fund balances and the fund cash accounts was reduced to approximately \$9,000, which was related to errors in the general ledger balance of the Debt Service Fund. The June 30, 2013, bank reconciliation again indicated a difference of approximately \$49,000 between general ledger balances and fund cash balances. In July 2013, the district, after additional consultation services from its auditor, identified the cause of the previous year's difference (approximately \$9,000) and approximately \$14,000 of the current year's difference, leaving an unidentifiable difference of approximately \$35,000 in the general ledger.

Bank reconciliation differences should be investigated and corrected on a timely basis to ensure bank activity and accounting records are in agreement. Accurate general ledger balances should be maintained for each fund to allow for a comparison to reconciled bank balances.

### Recommendation

The School Board ensure adequate bank reconciliations are performed and discrepancies are promptly investigated and corrected.

### Auditee's Response

*The School Board provided the following written response:*

*The district agrees that adequate bank reconciliations should be performed with any discrepancies promptly investigated and corrected.*

*District staff has worked diligently to correct the cumulative errors reported in the past and as of June 30, 2014, the accounts reconciled to all general ledger balances.*



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### 3. Procurement Practices

District procurement practices need improvement.

#### 3.1 Purchase orders

The district does not ensure purchase orders are issued timely for all goods and services. The district issued purchase orders after the related good or service was purchased for 6 of 30 items tested. District staff purchased 5 of these items using district activity funds for items such as yearbooks and fundraising supplies, with a total cost of approximately \$14,000. Some district staff were apparently unaware purchase orders were required for purchases from the activity funds. For 2 of the activity fund purchases tested, the district staff completed the purchase order approximately 1 year after the purchase.

District policy DJF-API requires preparation and approval of purchase orders prior to ordering the applicable goods or services. Purchase orders should be prepared and approved prior to incurring the related expenditures to help ensure expenditures are reasonable and necessary.

#### 3.2 Legal services

The district does not solicit proposals for legal services. The district has used the same law firm as the district's counsel since June 2009 without periodically soliciting proposals for these services. During the year ended June 30, 2013, the district incurred legal services fees totaling approximately \$60,000.

While professional services, such as attorneys, are not subject to standard bidding procedures, the district should solicit proposals for legal services to the extent practical. Soliciting proposals and subjecting such services to a competitive selection process does not preclude the district from selecting the vendor or individual best suited to provide the service required. Such practices help provide a range of possible choices and allow the district to make a better-informed decision to ensure necessary services are obtained from the best-qualified vendor at the lowest and best cost.

### Recommendations

The School Board:

- 3.1 Ensure purchase orders are prepared and approved prior to incurring the related expenditure.
- 3.2 Ensure competitive proposals are solicited for legal services to the extent practicable, and maintain all related documentation, including reasons for the district's decisions.



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## Auditee's Response

*The School Board provided the following written responses:*

- 3.1 *The district agrees that, in accordance with Board Policy, purchase orders should be prepared and approved prior to incurring the related expenditure. The Administrative Cabinet periodically reviews policies with the administrative team and addresses policy violations with specific employees and their supervisor, when they occur.*
- 3.2 *The district agrees that competitive proposals for legal services will help ensure necessary services are obtained from the best qualified vendor at the lowest and best cost. The district will seek competitive proposals for legal services this fiscal year and will maintain all related documentation, including the reasons for the district's decision.*

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## 4. Computer Controls

Controls over district computer systems are not sufficient to prevent unauthorized access. As a result, district records are unprotected and susceptible to damage or theft.

### 4.1 Password controls

The district has not established adequate password controls to reduce the risk of unauthorized access to computer systems and data. Passwords are required to authenticate access to computer systems. However, passwords are not required to be changed on a periodic basis to help ensure they remain known only to the assigned user and to reduce the risk of a compromised password.

The security of a password system is dependent upon keeping passwords confidential. However, since passwords do not have to be periodically changed, there is less assurance passwords are effectively limiting access to computer systems and data files to only those individuals who need access to perform their job responsibilities. Passwords should be unique and confidential and changed periodically to reduce the risk of unauthorized access to and use of systems and data.

### 4.2 Security controls

Security controls are not in place in any of the district offices to shut down a computer after a certain period of inactivity or lock it after a specified number of incorrect logon attempts. Inactivity controls are necessary to reduce the risk of unauthorized individuals accessing an unattended computer and having potentially unrestricted access to programs and data files. Logon attempt controls lock the capability to access a system after a specified number of consecutive invalid logon attempts and are necessary to prevent unauthorized individuals from continually attempting to logon to a system by guessing passwords. Without effective security controls, there is an increased risk of unauthorized access to systems and the unauthorized use, modification, or destruction of data.



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### 4.3 Backup data

Backup data for the district's financial, food service and email systems and all student related information may not be available for restoring systems following a disaster or computer failure. Data backups are performed daily. However, the backups are not stored at a secure off-site location but are stored at the same location as the original data and periodic testing of the data for adequacy is not performed. As a result, there is an increased risk a disaster or other disruption impacting the district systems and original data would also adversely impact the backups. The unavailability of both the original and backup data would be significant and detrimental to the district accomplishing its mission.

Failure to store computer backup data at a secure off-site location results in backup data being susceptible to the same damage as the data on the computer. Preparation of backup data, preferably on a daily or at least weekly basis, periodic testing to ensure the backup process is adequate, and off-site storage would provide increased assurance district data could be recovered if necessary.

## Recommendations

The School Board:

- 4.1 Require a unique password for each employee that is confidential and periodically changed to prevent unauthorized access to district computer systems and data.
- 4.2 Require each district computer have security controls in place to shut down the computer after a certain period of inactivity and lock it after a specified number of incorrect logon attempts.
- 4.3 Ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.

## Auditee's Response

*The School Board provided the following written responses:*

- 4.1 *The district agrees with the need for unique passwords for each employee that are confidential and periodically changed to prevent unauthorized access to district computer systems and data. All employees have a confidential, unique password for the network and data systems. The financial system and student information system currently require users to change their password every 90 days. The network login, which includes email, will move to a 90 day cycle during the first semester of the 2014-2015 school year.*
- 4.2 *The district agrees that each district computer should have controls in place to lock the computer after a certain period of inactivity and lock users out after a specified number of incorrect login attempts. The district has already implemented the control to lock the computer after a certain period of inactivity. The district will*



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*implement the control to lock out a user after a specified number of incorrect login attempts this fiscal year.*

- 4.3 *The district agrees that back up data should be stored in an off-site location and tested on a regular, predefined basis.*

*The district's finance records are uploaded to the vendor daily. The vendor maintains off-site storage of all client data. The district's food service system was migrated last year to be a module within the student information system. In July 2013, the district moved the student information system to be web hosted by the vendor. The vendor maintains a data center with off-site back up for all the data the company manages. In the fall of 2013, the district migrated to Gmail, which is a web hosted environment and we are currently utilizing "VAULT" on line storage for the backup of email.*

*The district's Information Technology Department will periodically review the backup processes to ensure their adequacy.*

## 5. Sunshine Law

Agendas and/or minutes were not available for some of the monthly audit and facilities improvement team (FIT) committee meetings held during the 2012-2013 school year. The district did not have agendas for audit committee meetings for July 2012, January 2013, March 2013, and May 2013, and only had minutes for the August 2012 and September 2012 meetings, which had not been formally approved. The district had agendas for only 4 FIT committee meetings and had no minutes for those meetings.

Minutes serve as the only official permanent record of decisions made by the district and committees appointed by the district. The Sunshine Law, specifically Section 610.020, RSMo, requires a tentative agenda and a meeting notice be posted at least 24 hours prior to all meetings of a public governmental body and minutes be taken of meetings of all public governmental bodies. Section 610.010, RSMo, defines committees appointed by and reporting to public governmental bodies as subject to Sunshine Law requirements. Minutes should be approved and signed to provide an independent attestation that the minutes are an accurate record of the matters discussed and actions taken during the meetings. Furthermore, approval of minutes not only adds assurance to the authenticity of official minutes, but allows a timely review of the contents to ensure the minutes include all important information regarding the meetings held.

## Recommendation

The School Board maintain complete and accurate minutes for meetings for all committees as well as tentative agendas.



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Management Advisory Report - State Auditor's Findings

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## Auditee's Response

*The School Board provided the following written response:*

*The district agrees that tentative agendas, as well as complete and accurate minutes for the audit and FIT committee meetings need to be maintained and available, in compliance with the Sunshine Law.*

*In January 2014 the district subscribed to eBOARDsolutions, a software application for web-based management and publication of meetings. This program will be utilized by the audit and FIT committees to ensure all information is available to the public in a timely manner.*

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## 6. Capital Assets

The district has not developed adequate property procedures and records for capital assets other than tablet computers. As a result, assets are more susceptible to theft or misuse. Complete and accurate records of capital assets are not maintained and periodic physical inventories of assets are not performed. A general summary listing of assets is maintained for depreciation purposes; however, individual assets are not listed but are grouped together by type of asset, such as computers or vehicles. District personnel indicated this depreciation listing is updated annually at year end, rather than as assets are purchased. At June 30, 2013, the depreciation listing shows district assets had a cost of \$42.3 million.

The district needs to perform a physical inventory of all property and maintain adequate capital asset records to secure better internal control over district property and provide a basis for determining proper insurance coverage on district property. Capital asset records should be maintained on a perpetual basis, accounting for property acquisitions and dispositions as they occur, and include a detailed description of the assets such as acquisition cost, descriptions, make and model numbers, and asset identification numbers; the physical location of the assets; and the date and method of disposition of the assets.

## Recommendation

The School Board ensure complete, accurate, and detailed capital asset records are maintained and annual physical inventories are performed and compared to detailed records.

## Auditee's Response

*The School Board provided the following written response:*

*The district agrees that detailed capital asset records and annual physical inventories are needed to secure better internal control over district property and provide a basis for determining proper insurance coverage on district properties.*

*District staff initiated the database for computer equipment while the auditors were on site. The database is complete and annual inventories will be conducted. For all other capital assets, the district will determine the appropriate threshold to be utilized. Items identified, along with items*



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*highly susceptible to theft, will be tracked and inventories will be conducted on an annual basis and compared to detailed records. District staff is currently evaluating software options for automated tracking and would anticipate implementation this fiscal year.*

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# Grandview C-4 School District

## Organization and Statistical Information

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The Grandview C-4 School District is located in Jackson County, Missouri and was established in 1914. The district covers 15 square miles and is located southeast of downtown Kansas City.

The district operates one high school (grades 9-12), one middle school (grades 6-8), one combination school (K-8), four elementary schools (K-5), an Early Childhood Center, and the Center for Alternative Instructional Resources. Enrollment was 3,844 for the 2012-2013 school year. The district employed 535 full-time and 77 part-time employees at June 30, 2013.

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.

### 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, 2013, were:

Cindy Bastian, President  
Leonard Greene, Vice-President  
Paul Alexander, Treasurer  
Barbara Polette, Member  
Michelle Shackelford, Member  
Wayne Terpstra, Member  
Jon Brax, Member

### Superintendent

The district's superintendent at June 30, 2013, was Dr. Ralph Teran, and his compensation for the 2012-2013 school year was \$179,569, which included a vehicle allowance of \$6,000. The district also provided the superintendent with a \$200,000 life insurance policy, up to \$1,000 per year for professional and community memberships, and up to \$1,000 per year for subscriptions and professional literature costs. The Board establishes the superintendent's compensation.