



Nicole R. Galloway, CPA
Missouri State Auditor

FOLLOW-UP REPORT ON AUDIT FINDINGS

Grandview C-4 School District

May 2015

Report No. 2015-032



<http://auditor.mo.gov>

Grandview C-4 School District

Follow-Up Report on Audit Findings

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*Includes selected findings



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Missouri State Auditor

To the Board of Education
Grandview C-4 School District

We have conducted follow-up work on certain audit report findings contained in Report No. 2014-062, *Grandview C-4 School District* (rated as Fair), issued in August 2014, pursuant to the Auditor's Follow-Up Team to Effect Recommendations (AFTER) program. The objectives of the AFTER program are to:

1. Identify audit report findings that require immediate management attention and any other findings for which follow up is considered necessary at this time, and inform the district about the follow-up review on those findings.
2. Identify and provide status information for each recommendation reviewed. The status of each recommendation reviewed will be one of the following:
 - **Implemented:** Auditee fully implemented the recommendation, either as described in the report or in a manner that resolved the underlying issue.
 - **In Progress:** Auditee has specific plans to begin, or has begun, to implement and intends to fully implement the recommendation.
 - **Partially Implemented:** Auditee implemented the recommendation in part, but is not making efforts to fully implement it.
 - **Not Implemented:** Auditee has not implemented the recommendation and indicates that it will not do so.

Our methodology included working with the district, prior to completion of the audit report, to develop a timeline for the implementation of corrective action related to the audit recommendations. As part of the AFTER work conducted, we reviewed documentation provided by the district and held discussions with district personnel. Documentation included copies of contracts, purchasing policies and procedures, Board minutes, and bank records. This report is a summary of the results of this follow-up work, which was substantially completed during February and March 2015.

A handwritten signature in black ink that reads "Nicole R. Galloway". The signature is written in a cursive style with a large, sweeping flourish at the end.

Nicole R. Galloway, CPA
State Auditor

Grandview C-4 School District

Follow-Up Report on Audit Findings

Status of Findings

1.1 Bonds - QZA bonds partnership and expenditures

The district took no action from 2008 to 2013 to ensure it received contributions committed to by its private business partner, as required by the Qualified Zone Academy (QZA) program. 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 district had not implemented a student internship program with the private business partner and the business partner made no contributions of any kind to the district from 2008 to 2013. District officials indicated the bank had 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.

Some uses of QZA bond proceeds were not allowable under state law or QZA program restrictions. During the 2011-2012 school year, district records showed 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.

Recommendation

The School Board comply with the private business partnership requirements of the QZA program and ensure all expenditures using QZA bond proceeds are allowable and reasonable.

Status

In Progress

In September 2014, the district contacted the state Department of Elementary and Secondary Education (DESE) to obtain input on resolving this finding. DESE provided the district contact information at the federal agency responsible for the program. Numerous discussions have taken place with the private business partner regarding pledged obligations and how the partner intends to meet those obligations. The district received 50 computers from the partner in March 2015 and plans to closely monitor contributions in the future.

1.2 Bonds - Bond financing

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

Recommendation

The School Board pursue open competition in any future bond sales and discontinue using an underwriter who also acts in a dual capacity as financial advisor.



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Status

Implemented

In May 2015 the Board approved a notice for sale of \$4,000,000 in bonds remaining from the issuance authorized in April 2013, as well as \$3,295,000 in refunding bonds. Both issuances are being competitively bid, with bids due to the district by May 21, 2015. The district solicited proposals for an independent financial advisor in February 2015 and contracted with the selected firm in March 2015.

2. Bank Reconciliations

The district was unable to reconcile its bank account with its general ledger fund balances for fiscal years 2011 through 2013. The district entered into an agreement with its auditor to provide consulting services to identify the reasons for the discrepancy. As of July 2013, there was an unidentified difference of approximately \$35,000 in the general ledger.

Recommendation

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

Status

Implemented

The district provided the February 2015 bank reconciliations for review and all accounts were reconciled to the general ledger balances.

3. Procurement Practices

District procurement practices needed improvement.

3.1 Purchase orders

The district did not ensure purchase orders were issued timely for all goods and services. Some district staff were apparently unaware purchase orders were required for purchases from the activity funds.

District policy DJF-API required preparation and approval of purchase orders prior to ordering the applicable goods or services.

Recommendation

The School Board ensure purchase orders are prepared and approved prior to incurring the related expenditure.

Status

Implemented

District personnel indicated purchase orders are now prepared and approved for all expenditures before the purchase is made. District personnel indicated policies and procedures regarding purchase orders have been reviewed periodically with the administrative team, most recently in January 2015.

3.2 Legal services

The district did not solicit proposals for legal services. The district had used the same law firm as the district's counsel since June 2009 without periodically soliciting proposals for these services.



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Recommendation	The School Board ensure competitive proposals are solicited for legal services to the extent practicable, and maintain all related documentation, including reasons for the district's decisions.
Status	Implemented The district issued a request for qualifications in February 2015 for legal services. The Superintendent indicated several firms were interviewed and a contract for legal services was approved by the Board at its April 16, 2015, meeting.
4. Computer Controls	Controls over district computer systems were not sufficient to prevent unauthorized access.
4.1 Password controls	The district had not established adequate password controls to reduce the risk of unauthorized access to computer systems and data. Passwords were not required to be changed on a periodic basis to help ensure passwords remain known only to the assigned user and to reduce the risk of compromise.
Recommendation	The School Board require a unique password for each employee that is confidential and periodically changed to prevent unauthorized access to district computer systems and data.
Status	Implemented District personnel indicated each employee now has a confidential, unique password, which is required to be changed every 90 days.
4.2 Security controls	Security controls were 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.
Recommendation	The School Board 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.
Status	Implemented District personnel indicated users will now be locked out after 10 incorrect logon attempts and computers are now locked after a 30 minute period of inactivity.
4.3 Backup data	Backup data for the district's financial, food service and email systems, and all student related information may not have been available for restoring systems following a disaster or computer failure. Data backups were performed daily. However, the backups were not stored at a secure off-site



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location but were stored at the same location as the original data and periodic testing of the data for adequacy was not performed.

Recommendation

The School Board ensure backup data is stored in a secure off-site location and tested on a regular, predefined basis.

Status

Implemented

District personnel indicated finance records are uploaded to the technology vendor daily, who is responsible for storage. Student information, which includes food service data, is now web hosted, with the technology vendor maintaining a data center with off-site backup. The district now uses a web hosted email environment, and utilizes online storage for email backup.

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.

Recommendation

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

Status

Implemented

All meeting agendas and minutes, including all committee meetings, are now posted using a software application for web-based management and publication of meetings.