

**MANAGEMENT LETTER**

**JEFFERSON CITY**

**PUBLIC SCHOOLS**

June 30, 2016



To the Board of Education and Management of  
Jefferson City Public Schools  
Jefferson City, Missouri:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson City Public Schools (the "District") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the *Uniform Guidance*, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

2016-1: Segregation of Duties

Condition: As in many smaller to medium-sized organizations, it is difficult to obtain proper segregation of duties due to the limited number of employees.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The District has mitigating controls in place, but it is not possible to have segregation in all areas.

Effect: Due to the limited number of employees, the District might not prevent, or detect and correct misstatements on a timely basis in the normal performance of duties.

Recommendation: We recognize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties. However, professional standards require that we bring this lack of segregation of duties to your attention. We recommend management continue to review these processes accordingly to optimize the functionality of internal controls.

Response/Current Status: The District concurs with this recommendation. While the District has implemented many mitigating controls in the District's Human Resources, Payroll, Student Activities, and Accounts Payable operations, there is always room for improvement and refinement of the controls in place. The Chief Financial Officer/Chief Operating Officer and the Controller are fully aware of the need for segregation of duties and implement/facilitate changes in District operations as deemed necessary and/or as circumstances may dictate. The District will continue to monitor operations for appropriate segregation of duties in order to protect the District's resources from potential fraud, misuse or abuse.

#### *Audit Recommendation*

During the course of the audit, it was determined a significant number of District credit cards exist in individuals' names. The purpose of the cards is for employees to make business purchases, as needed. Many of the individual cards have small monthly credit limits; however, some have significant monthly credit limits.

The credit card statements are reviewed on varying levels, as appropriate, but due to the number of cards outstanding and given some of the significant credit limits, risk exists that significant unauthorized charges could be made and not detected timely through the current internal control system in place over the cards.

We recommend management, where possible, 1) reduce the number of cards issued; 2) increase controls over the credit card statement review and approval process; and 3) reduce unnecessarily large credit limits.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with 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.

We wish to thank management and staff for their support and assistance during our audit.

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

*Graves and Associates,  
CPAs, LLC*

GRAVES AND ASSOCIATES, CPAs, LLC  
Jefferson City, Missouri  
December 20, 2016