

JEFFERSON CITY PUBLIC SCHOOLS

REPORT TO THE BOARD OF EDUCATION

June 30, 2017



CPAs and
Management Consultants

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To the Board of Education of
Jefferson City Public Schools

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Jefferson City Public Schools for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Jefferson City Public Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies used by Jefferson City Public Schools was not changed during the year. We noted no transactions entered into by Jefferson City Public Schools during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The District's financial statements are prepared on the modified cash basis of accounting and as a result, there are no particularly sensitive accounting estimates included in those statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 5, 2017.

Management 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 Jefferson City Public Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those 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.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Jefferson City Public Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the schedule of expenditures of federal awards, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with modified cash basis, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the schedule of expenditures of federal awards to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the budgetary comparison schedules or schedule of selected statistics, which accompany the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board of Education and management of Jefferson City Public Schools and is not intended to be, and should not be, used by anyone other than these specified parties.

Kerber, Eck & Braedke LLP

St. Louis, Missouri
December 5, 2017



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To the Board of Education
Jefferson City Public Schools
Jefferson City, Missouri

In planning and performing our audit of the financial statements of Jefferson City Public Schools as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered Jefferson City Public Schools 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson City Public Schools internal control. Accordingly, we do not express an opinion on the effectiveness of the Jefferson City Public Schools internal control.

However, during our audit we became aware of opportunities' for strengthening internal control and operating efficiency. The memorandum that accompanies this letter presents our comments and suggestions regarding these matters and other informational items that may be of benefit to the Collaborative. A separate letter dated December 5, 2017 contains our communication of significant deficiencies or material weaknesses in the District's internal control. This letter does not affect our report dated December 5, 2017, on the financial statements of Jefferson City Public Schools.

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

Kerber, Eck & Braeckel LLP

St. Louis, Missouri
December 5, 2017

Other Locations

Belleville, IL • Carbondale, IL • Columbia, IL • Litchfield, IL • Harrisburg, IL • Springfield, IL • Cape Girardeau, MO • Milwaukee, WI

MEMORANDUM OF ADVISORY COMMENTS

Account Coding

We noted instances in which expenditures should have been coded to supplies rather than capital outlay. We recommend the District strengthen controls over account coding.

Management Response: The District agrees with this recommendation.

The District became aware in the second half of the fiscal year that there were items miscoded between supplies and equipment. A good percentage of the miscodings appeared to be credit card purchases where cardholders upload the related receipt to the bank's website and then select an expenditure code from a dropdown list specifically tailored to the cardholder. Once we identified there were problems, the Business Office implemented procedures to look at all expenditures coded to Fund 040 (Capital Projects Fund) prior to posting to the ledger to ensure the purchase met the criteria for being treated as equipment as specified by DESE and the District. We also implemented a process to review all credit card purchases over \$1,000 coded to the General Fund to ensure the purchases were supplies and not equipment. We also removed the equipment code from the dropdown list on the bank website for several individuals who infrequently purchase equipment so the code would not be used accidentally.

Purchasing

We noted instances in which expenditures over \$3,500 were not supported by three quotes or an explanation as to why three quotes were not obtained as required by District policy. We recommend the District require all quotes be submitted with the purchase order or check request and matched with the vendor invoice prior to payment. We also recommend that all quotes and bids be maintained in an easily accessible central repository.

We noted approval routing for three expenditures was changed by the Accounts Payable Manager and the Accounts Payable Manager was the final approver for those expenditures. We recommend the District discontinue the practice of allowing the Accounts Payable Manager to approve expenditures and change the approval routing.

Management Response: The District agrees with this recommendation.

The District is planning to review Board Policy DJF-1, as well as current procedures relating to bidding/bid requirements in the coming weeks. Some discussion has already taken place regarding the best way to retain bid information.

The District will review procedures for the handling and rerouting of purchase orders (POs). There are numerous instances where someone who entered a PO contacts the Accounts Payable Manager and asks to have the PO rerouted because they know the next approver is not available. The District will work with the staff to determine the best course of action in these instances. However, in two of the instances noted, the original PO was actually created by someone other than the Accounts Payable Manager and approved by the person creating it (although the approval on one was after the Accounts Payable Manager's approval so the system did not record that approval on the approval log; just on the audit trail). We will strengthen our procedures and welcome the opportunity to review exceptions noted by the auditors during their fieldwork to ensure they are fully reviewed and evaluated.

Employee Time Sheets

We noted an instance in which a nonexempt employee's time sheet was approved by the employee but not the employee's supervisor. We recommend the District strengthen internal controls over time sheet approval.

Management Response: The District agrees with this recommendation and will address with the staff.

Old Outstanding Checks

During our audit, we noted a number of outstanding checks that were more than one year old. We recommend outstanding checks over one year old be investigated to determine their proper disposition.

Management Response: The District agrees with this recommendation.

The District was aware that the old outstanding checks needed to be addressed, but it was not a high priority item. This was one of the first tasks assigned to the new Accountant hired in July and, with a few exceptions, these checks have either been reissued to the recipient or turned over to the State as unclaimed property.

Blocks and Filters

We recommend the District consider adding blocks and filters to its bank accounts, as appropriate. A block will stop all ACH transactions from posting to the account. A filter will only allow ACH transactions from pre authorized vendors to post. All other ACH transactions will be blocked and returned.

Management Response: The District agrees with this recommendation and will discuss with the District's banking institutions.

Credit Cards

The District's banking representatives made the following recommendations regarding the District's use of credit cards.

- Monitor credit card usage quarterly and cancel cards that have been inactive for 18 months
- Implement merchant charge code restrictions

We recommend the District continue to work towards implementation of these recommendations.

Management Response: The District agrees with this recommendation.

The District will establish a timeline for reviewing credit card usage and inactivate cards as necessary.

The District has had some discussions with the bank regarding merchant charge card code restrictions, but at this time, we only prevent staff from using their card to get cash back. We have some concern that a code may be blocked preventing staff from using their card at what is truly an allowable establishment outside of our normal work hours where no one is here to assist them. We will continue discussions with the bank and contact other school districts to see what restrictions they may have in place and/or what issues they have encountered.