
SCHOOL DISTRICT OF UNIVERSITY CITY

*REPORT ON INTERNAL CONTROL RELATED
MATTERS AND ADVISORY COMMENTS*

JUNE 30, 2011



SCHOWALTER & JABOURI, P.C.

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To the Members of the Board of Education
School District of University City

Dear Members of the Board:

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the School District of University City (the "District") for the year ended June 30, 2011, in accordance with U.S. generally accepted auditing standards, we considered the 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 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or 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.

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

- I. Deficiencies Considered to be Significant
- II. Other Current Year Matter
- III. Status of Prior Year Deficiencies Considered to be Significant
- IV. Status of Other Prior Year Matters

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District's management has provided written responses to the significant deficiencies identified in our audit. These responses have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, 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 take this opportunity to express our appreciation to the District for the assistance and cooperation we received and the many courtesies extended to us during the course of the audit.


SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri
September 14, 2011

I. DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

A. Attendance

During our current year procedures, we noted that internal controls over the attendance data upload procedures did not appear to be designed or operating in a manner to ensure that accurate information was reported to DESE. Specifically we noted the following:

- The school calendar that was reported to DESE contained errors.
- The District's attendance software produces multiple reports which do not agree to each other, requiring knowledge about which reports to utilize and why.

These discrepancies were not detected by District personnel prior to our audit procedures. Further, some of these issues were noted in the prior year (see Status of Prior Year Matter).

The hours of attendance are a critical factor for DESE to compute the amount of financial resources to allocate among Districts. Reporting this data incorrectly may result in an inaccurate payment to the District. In addition, budget projections for up to two years can be incorrect before the inaccurate amount may be discovered.

We recommend that the District:

- Implement monitoring and review procedures over all aspects of the attendance upload process to ensure that all attendance information is reported correctly to DESE.
- Maintain documentation of uploads that are made to DESE.
- Analyze attendance information to verify accuracy prior to upload and reporting to DESE.
- Provide additional training and guidance to employees responsible for attendance information, including over aspects of the accumulation of attendance data and reports produced by the attendance reporting software. This includes utilizing resources available from DESE, including the CORE data handbook.
- If deemed necessary, the District consult with the attendance reporting software representatives to investigate and resolve the reporting errors produced by the system.

Management's Response: *The School District of University City plans to implement the recommendations as outlined by the audit team regarding attendance monitoring and reporting for the 2011-2012 school year.*

However, for the record, the following corrections will be made to attendance reporting. First, there was an error in reporting the number of snow days on the school calendar that was submitted to DESE. This error was not unique to our District and was repeated by several school districts around the State. DESE issued a memo to all school districts regarding the correct method for recording snow days. The DESE memo, with the instructions, will be included in the procedures for recording attendance and will be implemented as part of the District's attendance procedures.

In addition, during the audit the District initially provided the Average Daily Attendance (ADA) Report to confirm the attendance hours that the District reported to DESE. This resulted in a rounding error that created a discrepancy between the ADA report and the attendance hours that the District reports to DESE. To correct this error, the District subsequently provided the actual data file that was exported from SISK12 and uploaded to DESE through Core Data that confirmed the attendance hours reported to DESE. These data files and all others that are uploaded to DESE are currently maintained as documentation. A notation will be added to the attendance procedures stating that the District will provide the actual data file, exported from SISK12, and uploaded to DESE through Core Data for the annual audit.

B. Internal Control over Financial Reporting

During the current year, auditors of the District assisted with the preparation of the financial statements and the notes to financial statements. Auditors may continue to assist clients with the preparation of the financial statements now and in the future; however, under Statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters in an Audit, which is effective for periods ending on or after December 15, 2009, the auditor is required to communicate such matters to the entity's management and governing body. The failure to do so would be a lack of compliance with generally accepted auditing standards in the United States.

Due to the changing standards, the District may wish to consider alternatives available that would eliminate this situation.

Management's Response: *Due to limited resources, management feels it is appropriate for the auditors to continue preparing the financial statements.*

C. Computer Controls

One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation. Within a computer environment this can be translated to not permitting the same individual to have full access to the computer application (SISFIN) and perform daily accounting/finance activities.

We recommend that Information Technology personnel be responsible for assigning user access to the SISFIN application. Information technology personnel should be prohibited from initiating and/or authorizing "live" transactions required for daily accounting/finance activities. Requests for changes to existing programs (SISFIN), such as user access, should come from authorized users in writing and should be approved by a supervisor to ensure the access is commensurable with the individual's job responsibilities.

In addition, we recommend that at least annually, the supervisor of each department receive a SISFIN user access report with all the employees in their department and the access that these employees have. The supervisor should complete an annual review and re-authorization of each user's access privileges.

Management's Response: *Management understands this risk, but due to the limitations of our financial system, we cannot prohibit the IT staff from initiating and authorizing live transactions if they are given system management access.*

II. OTHER CURRENT YEAR MATTER

A. Child Nutrition Cluster

During our current year procedures over Child Nutrition, we noted the following:

- We noted several instances where the free and reduced applications were not fully completed. The determining official's signature was not present on many of the applications we selected, although the date of approval or denial was indicated. In addition, we noted one instance where a child's final eligibility determination was not indicated on the approved application.
- We noted several instances where the Confirming Official's signature was not present on the verified applications as of the date of verification.

We recommend that the District implement procedures to ensure that all applications are complete and signed by the determining official, as required by the compliance supplement.

Management's Response: *The responsibilities for these processes have been transitioned from the Coordinator of Data and Assessment to the Coordinator of Accounting in 2011-12. The Chief Financial Officer will also provide oversight of the verification process.*

III. STATUS OF PRIOR YEAR DEFICIENCIES CONSIDERED TO BE SIGNIFICANT

A. Internal Control over Financial Reporting

Auditors of the District assisted with the preparation of the financial statements and the notes to financial statements. Under Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters in an Audit*, which is effective for periods ending on or after December 15, 2009, the auditor is required to communicate such matters to the entity's management and governing body. The failure to do so would be a lack of compliance with generally accepted auditing standards in the United States.

We recommended the District consider alternatives available that would eliminate this situation.

Status: Not implemented. See current year comment IB.

B. Computer Controls

One of the basic elements of internal control is separation of duties so that no one person controls all phases of an operation. Within a computer environment this can be translated to not permitting the same individual to have full access to the computer application (SISFIN) and perform daily accounting/finance activities.

We recommended that Information Technology personnel be responsible for assigning user access to the SISFIN application. Information technology personnel should be prohibited from initiating and/or authorizing "live" transactions required for daily accounting/finance activities. Requests for changes to existing programs (SISFIN), such as user access, should come from authorized users in writing and should be approved by a supervisor to ensure the access is commensurable with the individual's job responsibilities.

In addition, we recommended that at least annually, the supervisor of each department receive a SISFIN user access report with all the employees in their department and the access that these employees have. The supervisor should complete an annual review and re-authorization of each user's access privileges.

Status: Not implemented. See current year comment IC.

C. Child Nutrition Cluster

During our prior year procedures over Child Nutrition, we noted the following:

- The verification process was completed incorrectly. Verification guidance states that the verification should be completed using all applications on file as of October 1; however, the District did not start the verification until October 28. As a result, the District inaccurately reported the number of applications for testing and therefore did not perform the verification process on the correct number of applications. The Verification Summary submitted to DESE did not accurately report the results of the verification.

- We noted two instances where the verification resulted in a change in a status but benefits were not modified timely.
- We noted that, in general, review procedures over the verification process do not appear to be functioning properly in order to detect errors timely.

We recommended the District implement review procedures over the verification process to ensure the verification summary report is completed accurately. In addition, we recommended that training opportunities over the verification process be made available to personnel.

Status: Implemented.

IV. STATUS OF OTHER PRIOR YEAR MATTERS

A. Attendance

During our prior year procedures, due to a transition of District staff members, we assisted District personnel in reporting attendance information. District personnel were actively involved during our procedures and reviewed and accepted responsibility for the attendance information reported by the District.

In addition, we noted the District's attendance software, "SIS" produced multiple reports that did not agree to each other. We notified District personnel and requested that they follow up with SIS to resolve this issue.

The hours of attendance are a critical factor for DESE to compute the amount of financial resources to allocate among Districts. Reporting this data incorrectly results in an inaccurate payment to the District. In addition, budget projections for up to two years can be incorrect before the inaccurate amount may be discovered.

We recommended that the District implement review procedures over all aspects of the attendance upload process to ensure that the attendance hours, September membership, and the school calendar are reported correctly to DESE. In addition, training should be made available over all aspects of the accumulation of attendance data, including reports produced by the attendance reporting software.

Status: Not implemented. See current year comment IA.