

MANAGEMENT LETTER OF
COLUMBIA PUBLIC SCHOOL DISTRICT
COLUMBIA, MISSOURI
JUNE 30, 2001



GERDING, KORTE & CHITWOOD

Professional Corporation • Certified Public Accountants
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September 14, 2001

To the Board of Education
Columbia Public School District
Columbia, Missouri

We have audited the financial statements of Columbia Public School District (the "District") for the year ended June 30, 2001, and have issued our report thereon dated September 14, 2001. Our professional standards require that we provide you with the following information related to our audit.

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

Sincerely,

A handwritten signature in cursive script that reads "Gerding, Korte & Chitwood".
Gerding, Korte & Chitwood
Certified Public Accountants

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SECTION ONE

Professional Standards Communication

Our Responsibility Under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2001, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control of the Columbia Public School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Columbia Public School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2001. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us, but not recorded by District that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments. Those adjustments were accepted by the District's management and posted to the financial records of the District.

Disagreements with Management

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

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 the District’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those financial 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.

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

SECTION TWO

Financial Reporting Issues

Independent Auditors' Report

Our opinion on the financial statements is an unqualified opinion on the District's general purpose financial statements.

Internal Control

We are not reporting any material weaknesses in the internal controls of the District.

Compliance

With respect to compliance we have issued three separate reports. In the three reports we are not reporting any instances of material noncompliance with laws, regulations or contracts that have a direct, material impact on the financial transactions of the District.

New Accounting Pronouncements

For the year to end June 30, 2002 the District will be required to adopt Governmental Accounting Standard Board Statement #34. This will require the District to report its Comprehensive Annual Financial Report in a different format than the June 30, 2001 format. This change should not have an impact on the basic accounting currently used by the district.

SECTION THREE

Observations and Recommendations

During our audit, we became aware of matters that are opportunities for strengthening internal controls. The following paragraphs summarize our comments and suggestions regarding those matters.

Grants

On July 1, 1998, the District's business office issued some procedures manual related to the financial accounting and financial record keeping functions within the District. The manual was widely distributed among various employees of the District. Part of the procedures manual covered the issue of grant accounting and record keeping.

The manual includes procedures from the grant application process through the filing of final expenditure reports. Included in the procedures are instructions requiring the business office to review final expenditure reports prior to filing. We noted instances where these procedures were not followed.

We recommend that the grant accounting and record keeping procedures be followed to achieve greater accountability and benefit for the District.

Transportation Counts

The District is required to report the number of students who regularly ride its buses to the Missouri Department of Elementary and Secondary Education. The count information is obtained in October and February of each year. The counts are based upon eligible ridership lists for each route. Each bus driver marks his/her eligible rider list to show that the students rode the bus. The lists are then totaled by the District's transportation contractor to obtain the regular ridership count.

We tested several of the ridership lists to determine the eligibility of the riders counted. We tested 152 student names on the selected ridership lists, noting that 14 of the 152 tested were not enrolled students of the District. Of the 14 ineligible names, 11 were shown to have ridden the buses during the counting period. However, the overall transportation statistics of average ridership seem reasonable. It is likely that a number of eligible students rode the buses, but were improperly identified on the ridership lists.


The method of counting students should be improved. The transportation contractor should make all reasonable efforts to be sure its drivers have complete and accurate eligible student lists. The October and February count data should be made available to the District within a month of the count period. The District's transportation director should review the ridership lists and overall data for reasonableness and accuracy. Unusual ridership lists and unreasonable count data should be questioned and investigated.

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



Dr. James R. Ritter
Superintendent of Schools

916 Bernadette Drive (573) 886-2129
Columbia, Missouri 65203

TO: Members, Board of Education
FROM: Jim Ritter 
SUBJECT: Auditors' Management Letter
DATE: December 11, 2001

At the conclusion of the annual audit it is customary for the auditors to provide the administration and the Board of Education with a management letter. The purpose of the management letter is to provide the District with comments and suggestions which the auditors believe will improve internal controls and operating efficiency. Below, I have provided our response to the auditors' management letter.

Grants

The District's Business Office procedures include instructions for the Business Office to be included in all phases of the grant process from review of grant applications prior to submission through review of final expenditure reports prior to filing. However, the auditors noted instances where these procedures were not followed.

The Assistant Superintendents for Elementary Education, Secondary Education, and Instruction will provide additional guidance to principals, directors and coordinators regarding administrative responsibilities involving financial activities. In addition, the Business Office has added an accounting position with increased responsibilities in the area of grant accounting. These responsibilities will include becoming more proactive in contacting grant supervisors for monitoring and assisting in the financial management of grants.

Transportation

The auditors noted instances of inaccuracy in the data provided to the District by the contractor for transportation related to ridership lists. The auditors recommend the method of counting students be improved and that unusual count data be questioned and investigated.

Student information provided by the District to the contractor was not used in updating the contractor's eligibility lists for 2000-01. The contractor has made assurances to the District this will not be repeated. In addition, the contractor will be conducting a "self-audit" for the transportation records year-to-date. This information will be provided to the District's Coordinator of Transportation for review, and follow-up if necessary, prior to the end of first semester.