



**Thomas A. Schweich**  
Missouri State Auditor

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**FOLLOW-UP REPORT ON  
AUDIT FINDINGS**

**St. Louis Public School  
District**

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February 2014  
Report No. 2014-010



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<http://auditor.mo.gov>

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# St. Louis Public School District

## Follow-Up Report on Audit Findings

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# THOMAS A. SCHWEICH

## Missouri State Auditor

To the Special Administrative Board  
and  
The Board of Education  
St. Louis Public School District

We have conducted follow-up work on audit report findings contained in Report No. 2013-085, *St. Louis Public School District*, issued in September 2013, 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 the district's action plan, which was created in response to our audit report and is available on the district's website. We also reviewed supporting documentation submitted by district officials and held meetings with district officials. Documentation provided by the district included policies, contracts, and various financial records. This report is a summary of the results of this follow-up work, which was substantially completed during December 2013.

A handwritten signature in black ink that reads "Thomas A. Schweich".

Thomas A. Schweich  
State Auditor

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# St. Louis Public School District

## Follow-Up Report on Prior Audit Findings

### Status of Findings

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#### 1. Financial Condition

Although the district cut over \$50 million in overall expenses from 2009 to 2011, the district had a deficit fund balance of approximately \$55 million in its General (incidental) Fund at June 30, 2011. In November 2011, the district reached a settlement agreement to resolve school desegregation litigation with the state. The settlement provided funds to eliminate the district's deficit balance and provided additional revenues of \$40.2 million through June 30, 2014, for several existing, new, or expanded programs.

Primarily as a result of the settlement agreement funding, at June 30, 2012, the district had a positive balance in its General Fund of approximately \$12 million; however, the settlement agreement funding ends June 30, 2014, at which time the district may have to propose significant cuts or seek additional funding sources.

Proposed solutions were discussed in the district's 5-year financial plan, and included pursuing voter approval on a proposed property tax levy increase for operations and a bond issue, as well as continuing efforts to reduce workforce, and fixed and non-academic costs.

#### Recommendation

The Special Administrative Board closely monitor the district's financial condition due to the pending reduction in funding, and take appropriate actions as necessary.

#### Status

##### **Implemented**

At June 30, 2013, the district reported an unrestricted positive fund balance of \$17.9 million. The district approved a fund balance policy with a goal of achieving an unrestricted fund balance in the General Fund equal to 10 percent of the aggregate expenditures in the General and Teachers Funds. If the unrestricted fund balance should fall below 3 percent, the Special Administrative Board (SAB) will develop a plan to replenish the unrestricted fund balance back to the designated minimum level within 12 to 24 months. Monthly financial statements and budget-to-actual reports are provided to the SAB.

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#### 2. Student Promotion and Retention

District policies and procedures regarding the promotion and retention of "at-risk" students were not fully compliant with state law.

The district's Office of Accountability performed an evaluation of 2011 summer school implementation and outcome data. This study concluded that the district's passing of "at-risk" elementary students who either failed to attend summer school or failed to progress enough during summer school to escape the "at-risk" category contradicted the intent of Section 167.645, RSMo, commonly referred to by the Department of Elementary and Secondary Education (DESE) and many school districts as Senate Bill 319.



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Also, upon being classified as an unaccredited school district by the DESE in 2007, the district became subject to Section 162.1100.6, RSMo. When asked about the district's responsibility to comply with Section 162.1100.6, RSMo, a district official indicated the district did not have the resources to retain all students who were not reading at the required grade level, and full compliance with state law would place the district in undue financial hardship. The district adopted a new student promotion and retention regulation effective June 2012 to ensure compliance with Senate Bill 319, but did not address compliance with Section 162.1100.6, RSMo.

**Recommendation**

The Special Administrative Board comply with the recently adopted retention policy, continue to monitor the district's policies and procedures related to student promotion and retention, and work toward full compliance with state laws regarding student promotion and retention.

**Status**

**In Progress**

The district prepared a document titled Strategies and Timeline for Compliance, which details action steps to be implemented, estimated completion dates, and evidence available to support action step completion. The district provided professional development for school principals regarding promotion/retention policies, state laws, and the Strategies and Timeline for Compliance. The district has conducted reading assessments for students in grades 1-8 to determine reading levels and developed Individual Academic Plans for those students who are not reading at least one level below grade level. Completion of all action steps is expected by June 30, 2014.

**3. Educational Programs**

The district had not adequately evaluated numerous educational programs to determine their impact on student achievement. District policies, procedures, and regulations regarding the evaluation of educational programs were not followed or were out of date. In addition, the district's Accountability Plan was not adequately updated in a timely manner.

**3.1 Curriculum management audit**

A 2010 audit of the district's curriculum management included a review of program evaluation policies, plans, reports, and data pertaining to student assessment and program evaluation. The audit noted the existence of approximately 1,000 district programs, many of which were unknown to district administrators. The audit also noted that many programs were not subject to routine evaluation, and some applicable program evaluation policies were out of date or not being followed. The district reduced its Accountability Office staff from eight to two, limiting its ability to conduct program evaluations.

**Recommendation**

The Special Administrative Board identify all educational activities and programs and implement established policies which require regular reports



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on the evaluation of programs. All evaluations should be coordinated and maintained by the Accountability Office. In addition, conflicting and/or out-of-date policies should be updated for consistency and accurately included on the district's website. Procedures should include written guidance for the continuation, modification, or termination of programs and require documented corrective action of formal evaluation findings and recommendations.

## Status

### **In Progress**

The district has updated its Evaluation Procedural Plan and various policies to be consistent with Missouri School Improvement Program 5 standards. The updated plan and policies have been placed on an upcoming meeting agenda for approval by the SAB. The district has also prepared updated lists of programs in place at elementary (205 programs), middle (147 programs), and alternative/secondary schools (188 programs). Selected program evaluations will be performed by the district Accountability Office and are due by September 30, 2014.

## 3.2 Accountability plan

The district's Accountability Plan was not always accurately updated in a timely manner. The district approved the plan in November 2009 to address action needed to fix issues identified during the Missouri School Improvement Program review, regain accreditation, and support the district's comprehensive long-range plan.

Due dates were established for the implementation of plan action steps, and progress was tracked throughout the year by the achievement of various benchmarks. The district's Project Management Office (PMO) periodically requested scorecards from action step owners to update the progress of each action step. Our review noted that owners of action steps did not always submit scorecard updates to the PMO in a timely manner, and evidence of completion of action steps was not always requested and reviewed by the PMO to ensure the accuracy of scorecard updates.

## Recommendation

The Special Administrative Board ensure procedures are in place to accurately update the Accountability Plan in a timely manner, and ensure adequate documentation of completion of action steps is received and verified.

## Status

### **In Progress**

When the district achieved provisional accreditation in 2012, it was no longer required to maintain the Accountability Plan. The district has since created a Comprehensive District Improvement Plan, similar to the Accountability Plan, but with new goals and objectives. The draft 2013-2014 plan builds on prior plans, focusing on changes at the classroom level.



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This plan is expected to be approved by the SAB after completion in February 2014.

4. Missouri Assessment Program Testing

The district did not perform timely follow up of Missouri Assessment Program (MAP) testing quality assurance monitoring. In addition, the district does not have a formal process in place to identify and investigate unusual fluctuations in MAP test scores.

In response to both national and local news articles regarding MAP testing irregularities, the district authorized monitoring procedures exceeding DESE requirements to help ensure 2012 MAP testing integrity. These steps included significantly increasing the number of testing monitors as well as the frequency of monitoring visits.

4.1 Quality assurance monitors

The district assigned at least one employee to each school to serve as Quality Assurance Monitors (QAM) for the 2012 MAP testing, and hired seven independent QAMs to provide additional monitoring at selected schools.

In early June 2012, we performed a review of Quality Assurance Assessment District Self-Monitoring Forms (monitoring forms) completed and submitted by QAMs to the district Accountability Office. At that time, the district had not received approximately 100 required monitoring forms from several QAMs for approximately 30 schools. At our request, the Accountability Office contacted the QAMs in an attempt to collect the missing monitoring forms. We performed a follow-up review in late June 2012 and noted no monitoring forms had been submitted for three schools, and less than the minimum four monitoring forms had been submitted for another 12 schools. In addition, two of the independent QAMs paid by the district had not submitted any monitoring forms. Per a district official, no monitoring tool was developed to determine if the independent QAMs complied with the agreed-upon procedures.

Recommendation

The Special Administrative Board ensure monitoring provided for future MAP testing is adequately documented, and follow up is performed to ensure all monitoring forms are submitted in a timely manner.

Status

**In Progress**

District officials indicated they will ensure monitoring provided for the Spring 2014 MAP testing is adequately documented and all monitoring forms are submitted in a timely manner. The district follows DESE-required procedures for MAP testing monitoring.

4.2 Analysis of test results

The district did not have a formal proactive process to identify and investigate unusual fluctuations in school MAP test scores from year to



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year. In addition, the district did not adequately utilize test data to identify schools that should have been monitored more closely in subsequent years.

**Recommendation**

The Special Administrative Board adopt a formal proactive process to annually identify and investigate unusual testing occurrences.

**Status**

**Partially Implemented**

The district sent a survey to the St. Louis Assessment Resource Association requesting MAP testing follow-up procedures from area school districts. Of the 30 districts that responded most indicated they review test results and drill down after results are received; however, no districts reported a method for conducting investigations based on those results. District officials indicated they will implement a proactive process to identify and review unusual testing occurrences for the Spring 2014 MAP testing, and plan to use this analysis for instructional planning purposes, but they currently do not plan to perform investigations of unusual occurrences unless directed to do so by the DESE.

**5. Purchasing Policies and Procedures**

District procedures for procuring and selecting contractors for goods and services needed improvement.

**5.1 Procurement procedures**

The district did not always competitively bid purchases of goods or services or routinely solicit requests for proposals (RFP) for professional services. Multiple purchases in 2012 did not undergo competitive bidding, as required by the district's Purchasing Guide. In addition, we noted concerns with the documentation of sole source procurements.

**Recommendation**

The Special Administrative Board ensure bids and proposals are periodically solicited for all goods and services, and sole source procurements are adequately documented as required by district policy.

**Status**

**In Progress**

The district updated its Purchasing Manual to include additional guidance on procurement, bidding, and bid evaluations; contract payments; and monitoring vendor performance. This update includes the development of a Procurement Process Audit to be performed quarterly by the Chief Financial Officer. The updated manual also includes detailed procedures and flowcharts outlining each phase of the process, as well as several new or updated forms and reports to be utilized to more adequately document each phase of the process. Standard contract language has also been developed to be included in all district agreements. The district has developed a schedule to train approximately 800 staff and principals on the updated procedures. Training is expected to be completed in March 2014. A contract database is





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also currently in development and will be used to identify the appropriate term/duration of all contracts and monitor the RFP/bid process.

**5.2 Bidding procedures and evaluations**

The district received only one bid for each of several large construction projects. The district had little response to bid solicitations for several construction projects at various schools related to the district's recent \$155 million bond issue (Prop-S bonds). Bidding procedures for these projects included RFPs posted on the district's website, and mass email notifications sent out to a large number of vendors identified by the district. However, for one such mass email, recipients included non-construction companies and did not include other construction companies awarded previous district projects. For another project, the district could not provide documentation of sending a mass email notification to identified vendors.

The district received several proposals from vendors for employee benefit enrollment and eligibility services and employee benefit management services; however, the district could not locate the evaluation sheets and evaluation summary for this procurement decision.

In addition, district staff did not always complete evaluation sheets or a summary documenting the scoring of evaluation criteria for procurement decisions.

**Recommendation**

The Special Administrative Board implement improved bidding procedures, and ensure adequate documentation is maintained to support procurement decisions.

**Status**

**In Progress**

In addition to updating the Purchasing Manual and developing a training schedule as indicated in the status of finding number 5.1, district officials indicated the district has begun advertising bid opportunities in local publications on a weekly basis.

**6. Contracts and Disbursements**

District procedures for contracting for goods and services, classification of independent contractors, and payment of vehicle allowances needed improvement.

**6.1 Legal services**

The district had not performed a cost analysis to determine if it would be more economical to hire employees to provide legal services. In addition, the district used the same law firm as its primary legal counsel since 2007 without periodically soliciting proposals for these services. Legal services expenses averaged \$2.46 million annually for the past 4 years.

**Recommendation**

The Special Administrative Board perform a cost analysis for legal services and consider appropriate action as necessary.



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**Status**

**In Progress**

A cost analysis prepared by the district indicates cost savings of over \$500,000 annually could eventually be realized by hiring its own attorneys. The analysis suggests; however, that this transition would be made over time. The analysis highlights advantages and disadvantages for both hiring its own attorneys and continuing to contract with legal firms, and makes recommendations for implementation. District officials indicated further action is on hold until the State Board of Education makes a decision regarding reappointment of the members of the SAB, whose current tenure ends June 2014.

**6.2 Contract payments**

While board resolutions were adopted for the authority to spend money on certain contracts, the district made several payments to contractors prior to obtaining a signed contract or contract amendment.

**Recommendation**

The Special Administrative Board enter into timely written agreements and contract amendments prior to the commencement of services.

**Status**

**In Progress**

See status of finding number 5.1 regarding updates to the district's Purchasing Manual and development of a training schedule and contract database.

**6.3 Monitoring of vendor performance**

The district did not adequately monitor some service contracts, and some contracts had vague or non-existent monitoring criteria. In addition, evaluation of prior year performance by vendors was not always documented, or was not documented prior to contract renewal as required by the district Purchasing Guide.

**Recommendation**

The Special Administrative Board enter into detailed written agreements defining the services to be provided and the benefits to be received. In addition, the SAB should ensure contracts are monitored for compliance and vendor performance is adequately documented.

**Status**

**In Progress**

See status of finding number 5.1 regarding updates to the district's Purchasing Manual and development of a training schedule and contract database.

**6.4 Contracts with former employees**

The district may not have been following Internal Revenue Service (IRS) rules when hiring former employees as independent contractors.



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For the year ended June 30, 2012, four former district employees who retired from the district and were receiving retirement benefits were paid as independent contractors to perform similar duties to the ones they previously performed as employees. Considering IRS rules and the district's control over the working hours of these individuals, it appears these persons should have been considered employees and paid wages with applicable taxes withheld, and the earnings reported on Forms W-2.

**Recommendation**

The Special Administrative Board follow IRS guidelines when hiring employees.

**Status**

**Implemented**

The four former employees who retired from the district and were working as independent contractors are no longer working for the district. District officials indicated IRS guidelines will be followed in future situations.

**6.5 Vehicle allowances**

The district did not properly report to the IRS monthly vehicle allowances paid to the Superintendent and the former Chief Financial Officer. Neither was required to submit to the district documentation of mileage incurred for district purposes, and these allowances were not reported on their W-2 forms. In addition, the vehicle allowances did not appear to be reasonable.

**Recommendation**

The Special Administrative Board follow IRS guidelines when paying vehicle allowances. In addition, the SAB should review all vehicle allowances and set the allowances to reasonably reflect actual expenses incurred.

**Status**

**Implemented**

The district no longer provides vehicle allowances to any district employees and provides reimbursements for actual mileage incurred for official district business.

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**7. Closed Session and  
Committee Meeting  
Minutes**

The district did not publicly report some decisions made in closed SAB meetings or document how some issues discussed in closed meetings were allowable under the Sunshine Law. In addition, committee meeting minutes are not always prepared and approved in a timely manner.

**7.1 Closed session minutes**

The district did not announce in an open meeting, or otherwise publicly disclose, items that were approved in closed sessions as required by the Sunshine Law. Those approved items included the sale of school buildings and an amendment to a district lease agreement. In addition, we identified some instances where the closed meeting minutes disclosed discussion of issues not allowable under the Sunshine Law, such as approval of a



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licensing agreement and an easement, the district budget, and lobbying and legislative issues.

**Recommendation**

The Special Administrative Board ensure all closed session votes and the related actions are publicly disclosed as and when required, and items discussed in closed meetings are allowable topics under the Sunshine Law.

**Status**

**Implemented**

District officials indicated they would ensure all closed session votes and the related actions are publicly disclosed as and when required, and items discussed in closed meetings are allowable topics under the Sunshine Law. The results of closed session meetings are now posted on the district's website along with comments explaining a record of each member's vote on certain matters is available to the public upon request and how to obtain this information.

**7.2 Committee meeting minutes**

Some SAB committee meeting minutes are not prepared and approved in a timely manner. For example, the Finance Committee minutes from March through June 2012 were not prepared until July 2012 and had not been approved as of July 31, 2012.

**Recommendation**

The Special Administrative Board ensure minutes are prepared and approved in a timely manner and maintained for all applicable committee meetings in accordance with the Sunshine Law.

**Status**

**Implemented**

Meeting minutes for district committee meetings are now available on the district's website.

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**8. Henry Elementary Follow-up**

The district had not fully implemented all audit report recommendations cited in our audit report No. 2011-66, *St. Louis Public School District, Patrick Henry Downtown Academy - Enrollment and Attendance Recording and Reporting*, issued in September 2011. This audit was performed in response to concerns that school attendance and enrollment data were being falsified at the Patrick Henry Downtown Academy (Henry Elementary). From the evidence collected, it appeared enrollment and attendance data was manipulated; however, the district had not updated and corrected attendance data submitted to the Department of Elementary and Secondary Education, and had not fully implemented an audit trail logging feature to monitor changes to the student information system database.

**Recommendation**

The Special Administrative Board continue to review attendance data and update, correct, and approve the data submitted to the DESE for Henry Elementary as appropriate. In addition, the Board should ensure the audit



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trail log is reviewed periodically and applicable changes to attendance investigated if necessary.

**Status**

**In Progress**

The district is in the process of quantifying the discrepancies noted in the audit, and the SAB has approved authorization to repay DESE up to \$145,000 (the initial estimate of the potential liability) for any excess funds received. The district has formed an Attendance Committee to review attendance for every school on a weekly basis, identifying and examining major fluctuations and recommending any corrective action. The district is in the process of hiring an internal auditor whose job functions will include performing periodic audits of attendance records. The district's Student Information System was enhanced in 2012 to keep information on changes to any attendance records, including who made the change and the date of the change. The system does not produce an audit trail log, but allows the district to audit this additional information for any school or individual student attendance record.

**9. Audit Functions**

The district had not implemented many recommendations made by the district's independent auditor, some of which had been repeated for several years. In addition, the district did not have an internal audit function.

**9.1 Annual independent audits**

Numerous recommendations were made by the district's independent auditor in the district's financial statement audit report for the year ended June 30, 2012. Many of the recommendations had not been fully implemented and had been repeated from prior years, including several material internal control weaknesses over financial reporting. The auditors also identified material weaknesses in internal controls over compliance related to the district's federally funded programs. District officials indicated some of the audit recommendations had not been implemented due to accounting system, staffing, and/or budgetary constraints.

**Recommendation**

The Special Administrative Board ensure corrective action plans for audit findings are implemented in a timely manner.

**Status**

**In Progress**

The independent audit for the year ended June 30, 2013, indicates several of the prior recommendations have been fully or partially implemented. However, district officials indicated some of the recommended improvements would require additional financial commitments that would have to be approved by the SAB before further progress is made.

**9.2 Internal audit**

The district had financial activity of more than \$370 million annually, and numerous compliance and policy requirements. Several control weaknesses



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were noted by the district's independent auditor. However, the district did not have an internal audit function. The district had an internal auditor as recently as December 2011 and in the past had an employee that performed some internal audit functions; however, this employee was also assigned several non-audit related tasks. As a result, internal audits were limited mainly to emergency requests and fraud allegations. Interviews for the internal audit position were held in 2012 and a candidate was identified; however, contract terms could not be finalized. Also in 2012, the District issued a request for proposal and received bids for an internal business review; however, district officials indicated that project was put on hold when our audit began.

**Recommendation**

The Special Administrative Board consider hiring an internal auditor to conduct audits of district operations and activities and who reports directly to the Board.

**Status**

**In Progress**

The district has posted the opening for an Internal Auditor on its website and is in the process of receiving applications. District officials indicated they are considering hiring a search firm to help identify additional qualified applicants.