



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

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FOR RELEASE _____ November 17, 2006 8:00 a.m. _____

Auditor of State David A. Vaudt today released a reaudit report on the Ames Community School District for the period July 1, 2004 through June 30, 2005. The reaudit also covered certain items to determine practices applicable to the year ended June 30, 2006. The reaudit was performed at the request of citizens of the District.

Vaudt recommended the District review and revise its policies and procedures pertaining to the District's contracting, bidding, change order and certain other procedures, and implement procedures to ensure compliance with policies. Recommendations were also made to the District regarding compliance with the Code of Iowa when bidding projects and signing contracts. The District responded favorably to the recommendations contained in the reaudit report.

A copy of the reaudit report is available for review in the District Secretary's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/specials.htm>.

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AMES COMMUNITY SCHOOL DISTRICT
AUDITOR OF STATE'S REPORT ON REAUDIT
FOR THE PERIOD
JULY 1, 2004 THROUGH JUNE 30, 2005

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Ames Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Gail Johnston	President	2006
Mark Snell	Vice-President	2005
Gloria Symons	Board Member	2005
Mary Ann Dilla	Board Member	2006
Roy Cakerice	Board Member	2006
Pat Brown	Board Member	2007
Jane Acker	Board Member	2007
(After September 2005 Election)		
Ron Werner - Wilson	President	2008
Gail Johnston	Vice President	2006
Brian Dieter (Appointed)	Board Member	2006
Mary Ann Dilla	Board Member	2006
Roy Cakerice	Board Member	2006
Pat Brown	Board Member	2007
Jane Acker	Board Member	(Resigned)
Mike Murray	Board Member	2008
District Officials		
W. Ray Richardson	Superintendent	Resigned June 30, 2006
Linda Beyea	Superintendent	Effective July 10, 2006
Kurt Subra	District Secretary/Treasurer and Chief Financial Officer	Resigned June 30, 2006
Karen A. Shimp	District Secretary/Treasurer and Chief Financial Officer	Effective July 1, 2006
Ahlers & Cooney, P.C.	Attorney	2005

Ames Community School District



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Auditor of State's Report on Reaudit

To the Board of Education of the
Ames Community School District:

We received a request to perform a reaudit of the Ames Community School District under Chapter 11.6(4) of the Code of Iowa. We determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit and through our review of the preliminary information available. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Ames Community School District for the period July 1, 2004 through June 30, 2005. We also inquired and performed procedures for certain items to determine practices applicable to the year ended June 30, 2006. The procedures we performed are summarized as follows:

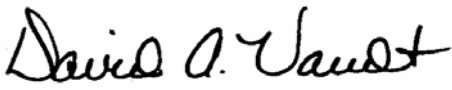
1. We obtained and reviewed the District's policies and procedures pertaining to procurement of services, authorization of services, authorization of payment for services and consent agenda.
2. We obtained and reviewed the District's policies and procedures regarding public bidding of projects and compliance with Chapter 73A of the Code of Iowa.
3. We obtained and reviewed the District's policies and procedures regarding contracts, including when contracts are required.
4. We inquired as to the status of findings reported in the June 30, 2004 reaudit report.
5. We reviewed selected expenditures from the Management Fund for compliance with Chapter 298.4 of the Code of Iowa for the year ended June 30, 2005.
6. We reviewed selected vendor contracts for compliance with selected criteria related to procurement of services, authorization of services, authorization of payment for services and appropriateness of approval through the consent agenda. The selected contracts reviewed were as follows:
 - a) Alfred's Carpeting & Decorating
 - b) Ames Trenching & Excavating, Inc.
 - c) Central Iowa Transit (CIT)
 - d) CPMI, Inc.
 - e) DLR Group, Inc.
 - f) Greater Plains Athletics

- g) L.A. Fulton & Sons
- h) Miron Construction Company, Inc.
- i) Nolte Cornman & Johnson, P.C.
- j) Siemens Building Technologies
- k) Story Construction Company
- l) Terracon
- m) Value Inspired Products & Services (VIPS)
- n) Western Waterproofing Company, Inc.
- o) Woodruff Construction LLC

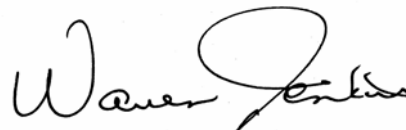
Based on the performance of the procedures described above, we have various recommendations for the District. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, no other items of non-compliance were noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures, selected additional vendor contracts or had we performed an audit of the Ames Community School District, additional matters might have come to our attention that would have been reported to you. A copy of this reaudit report has been filed with the Iowa Department of Education.

We would like to acknowledge the assistance extended to us by personnel of the Ames Community School District. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 7, 2006

Detailed Findings

Ames Community School District

Detailed Findings

July 1, 2004 through June 30, 2005

- (A) CPMI, Inc. Contract – In August 2003, the District entered into a contract with CPMI, Inc. to provide project management services for three “phases” or projects as follows: new middle school construction (phase 1), high school renovation project (phase 2) and management of various Physical Plant and Equipment Levy (PPEL) projects (phase 3). The contract provides for a fixed lump sum fee of \$279,023 for phase 1, \$153,136 for phase 2 and \$67,280 per year for phase 3 (a total contract amount of \$634,000) and states “In no event shall payments exceed the amount shown in the detailed cost breakdown...”. The contract provides for payment of certain percentages of the lump sum fee at specific phases of each project. The contract also requires CPMI, Inc.’s payment requests include a detailed summary of work performed, the date and amount of time worked and the person who performed the work. In accordance with the contract provisions, changes to the contract, including additional compensation, shall be made by a written amendment to the contract.

We reviewed CPMI, Inc. invoices for the period August 31, 2003 through April 30, 2006 and identified payments totaling \$670,011, including \$646,454 for professional services, \$23,336 for items identified as “reimbursable costs”, and \$221 for “general condition” items. “Reimbursable costs” appear to include items such as postage, telephone service, copy fees, office trailer rent, etc. and “general condition” items include bid mailing and blue prints. The District’s contract with CPMI, Inc. does not provide for payment of items beyond the fixed lump sum fee. We were unable to determine the propriety of the excess payments totaling \$36,011, consisting of \$12,454 paid to CPMI, Inc. for professional services in excess of the contract amount, \$23,336 of “reimbursable costs” and \$221 of “general condition” items.

The invoices submitted by CPMI, Inc. did not include a detailed summary of work performed as required by the contract.

As noted in finding (K) below, the District’s contract with CPMI, Inc. was signed by the District Superintendent, not the Board President as required by Chapter 291.1 of the Code of Iowa.

Recommendation – The District should determine the propriety of the additional \$36,011 paid to CPMI, Inc. and consult legal counsel to determine the disposition of this matter, including recoupment of any amounts determined to be unallowable. The District should establish procedures to ensure compliance with contractual provisions, including limiting payments to amounts allowed by the contract and requiring a detailed summary of work performed, prior to approving further payments under the contract. Contracts should be signed by the Board President as required by Chapter 291.1 of the Code of Iowa.

Response – The District will consult with legal counsel regarding any additional payments made to CPMI, and the additional amounts totaling \$36,011 already paid. The District will follow advice of counsel on any needed recovery of funds determined unallowable.

The District will review and revise current policies and procedures regarding the approval of contracts and ensure compliance with Iowa Code Chapter 291.1 requiring signature by the Board President.

Conclusion – Response accepted.

(B) Financial Status Report – CPMI, Inc., the District’s project manager for both the middle school and high school projects, utilized a Financial Status Report (FSR) to report the ongoing costs for each project to the District. We noted the following regarding the FSRs:

1. The FSRs were approved by the Board through the consent agenda (see finding (C) below.)
2. Per inquiry of District personnel, the purpose of the FSR, including what the Board was approving when they reviewed the FRSs, is unclear. The FSRs include an “Exception Summary” detailing variances from contract amounts. It is unclear whether the Board was aware of or intended to approve these changes (variances) through approval of the FSR. Based on the nature of the changes, it appears the changes (variances) should have been approved individually through an action item, not the consent agenda, since they did not always appear to be routine.
3. The District has not reconciled the FSRs to project costs in each project fund. The FSRs for both the middle and high school projects appear to include contracts/costs for other projects. Therefore, the District was unable to clearly define the costs associated with each of these individual projects.
4. FSRs could not always be traced to Board approval.
5. FSR number 15 dated May 9, 2006 (for the high school project) reports a contract amount and an “invoiced to date” amount of \$20,000 for the vendor Greater Plains Athletics and indicates the project at 100% completion. However, the “Bid-Purchase Agreement” with the vendor, dated July 12, 2005, and the amount paid on the agreement totaled \$25,400. It is unclear why the contract amount reported on the FSR varies from the actual contract and amount paid.

Recommendation – The District should determine the property of the additional amount totaling \$5,400 paid to Greater Plains Athletics and consult legal counsel to determine the disposition of this matter, including recoupment of any amounts determined to be unallowable.

The District should clearly define and document the purpose of the FSR form, including what is being approved when the Board reviews and approves the FSR. If used for future projects, all FSRs should be approved by the Board through “action items”, not the consent agenda. In the future, FSRs, if utilized, should be reconciled to project costs per the District’s financial records in a timely manner and variances, if any, should be documented and resolved in a timely manner. This will allow for more accurate and complete information for the District and for Board review and approval.

Response – The District will consult with legal counsel regarding the additional payment made to Greater Plains Athletics of \$5,400. The District will follow advice of counsel on any needed recovery of funds determined unallowable.

The District will review and revise current policies and procedures regarding the approval of projects, contracts and change orders to ensure compliance with Iowa law and proper parliamentary procedure. The District will revise accounting practices to provide timely reconciliation of project costs per the District’s financial records and resolution of any variances.

Conclusion – Response accepted.

- (C) Consent Agenda – District Policy DJI titled “Contracts” discusses the approval process for various types of contracts, including construction, employment and purchase or service contracts. The policy allows construction contracts with costs ranging between \$5,000 and \$25,000 be “placed before the Board on the “Consent” portion of the Board agenda” and requires construction contracts of \$25,000 or more be approved by the Board prior to work commencing.

The District approved certain contract payments and change orders, including items with a cost ranging between \$5,000 and \$25,000, items exceeding \$25,000, and the Financial Status Reports (item (B) above), through the “Consent” portion of the agenda. The items approved in this manner did not always appear to be routine in nature.

Recommendation – Although there are no specific statutory requirements, items approved through the consent agenda should typically be limited to noncontroversial, routine items not expected to require discussion or explanation, regardless of dollar amount. Nonroutine contract payments, change orders and approval of FSRs related to contracts appear to be items warranting further discussion prior to approval and therefore, should be approved through the discussion and action agendas. The District should review and modify its policies pertaining to consent agenda items to allow only routine and noncontroversial items, regardless of dollar amount. The District should implement procedures to ensure compliance with the approved policy.

Response – The District will review and revise current policies and procedures regarding the approval of projects, contract and change orders to ensure compliance with Iowa law and with Board policy. The District will limit use of the consent agenda to routine, non-controversial items, as determined by Board leadership.

Conclusion – Response accepted.

- (D) Physical Plant and Equipment Levy – Chapter 298.3(3) of the Code of Iowa states the Physical Plant and Equipment Levy (PPEL) levy may be used for “The purchase, lease, or lease-purchase of a single unit of equipment or technology exceeding five hundred dollars in value per unit.” The District purchased 62 tables and 600 trays for the Middle School cafeteria from the PPEL Fund for \$25,035. However, the cost of each individual tray and each individual table was less than \$500. This does not appear to be an allowable expenditure from the PPEL levy.

Recommendation – The District should make a corrective transfer and reimburse the PPEL Fund for the cost of the cafeteria trays and tables and should establish procedures to ensure compliance with Chapter 298.3 of the Code of Iowa pertaining to allowable uses of PPEL funds.

Response – The District has reimbursed the PPEL Fund for the purchase of the Middle School tables and trays in the amount of \$25,035. Accounting procedures will be reviewed and revised as needed to ensure compliance with Iowa Code Chapter 298.3 regarding the allowable use of PPEL funds.

Conclusion – Response accepted.

- (E) Management Levy – Chapter 298.4 of the Code of Iowa allows Districts to levy a Management Levy to be accounted for in a Management Fund, to pay costs pertaining to unemployment benefits, liability insurance and judgments or settlements relating to liability and early retirement benefits. The District paid \$4,451 to Alfred’s Carpeting & Decorating to replace water damaged carpet in the middle school and \$1,177 to Auto Glass Center to repair a bus window from the Management Fund. The payments to

Alfred's Carpeting and Decorating and Auto Glass Center do not appear to be allowable expenditures from the Management Fund.

Recommendation – The District should make a corrective transfer from the General Fund to reimburse the Management Fund for the amounts paid to Alfred's Carpeting and Decorating and the Auto Glass Center. Procedures should be established to ensure compliance with Chapter 298.4 of the Code of Iowa pertaining to allowable uses of the Management Levy.

Response – The District has reimbursed the Management Fund for replacement of water damaged carpet at the Middle School and repair to a bus window in the amount of \$5,628. Accounting procedures will be reviewed and revised as needed to ensure compliance with Iowa Code Chapter 298.4 regarding the allowable use of the Management Levy.

Conclusion – Response accepted.

- (F) Change Orders – District policy FEF pertaining to change orders states “No change order shall be effective nor shall any obligation be incurred until a written order has been signed by the architect or engineer and approved by the Board's representative....”. Change orders were not always approved by the Board, including a \$254,372 change order to add a new heating and cooling system in the high school, and the District has not formally identified the “Board's representative” for approving change orders. Certain change orders were signed by the Superintendent.

Recommendation – The District should review, revise and/or establish policies and procedures to ensure all change orders are approved by the Board or the Board's representative in accordance with Board Policy FEF. The policy should clearly identify the “Board's representative.”

Response – The District will review and revise current policies and procedures regarding the approval of change orders to ensure compliance with Iowa law. Procedures will be addressed to ensure change orders are properly approved. The revised policy and procedures will more clearly identify the “Board's representative”.

Conclusion – Response accepted.

- (G) Additional Fees and Markups – The District paid an additional fee of 10% totaling \$3,605 on various invoices related to work performed by Story Construction. We could not determine whether the contracts allowed for the additional fees.

Recommendation – The District should review contracts to determine the allowability of the payment of the additional fees and should disallow any payments not allowed by contract.

Response – The District will review contract documents and invoices from Story Construction to determine if any additional markup or fee was charged in error. We will work with Story Construction to recover any amounts billed in error. The District will establish processes and procedures to ensure that payments on invoices comply with approved contract terms.

Conclusion – Response accepted.

- (H) Small Projects – The District’s Board Agenda Form, dated November 7, 2005, discusses “small projects” and states, in part, “On an annual basis, the Facilities Department receives quotes for labor to perform small projects as required in policy FEB...”. District Policy FEB, titled “Selection of Architects/Engineers”, outlines the method to be used in selecting architects and engineers for “large or selected projects” and “other projects”. The policy allows for solicitation of proposals for large or selected projects at the discretion of the Board and requires “proposals be solicited on a yearly basis for architectural/engineering services pertaining to small, maintenance, and other projects which the Board may deem necessary.” While Board policy FEB specifically pertains to architect/engineer services, it appears the District may have applied policy FEB to other types of contracts. In addition, the policy does not clearly define “large” and “small” projects.

Recommendation – The District should review and clarify Board policy FEB to define “small projects” and identify the types of contracts encompassed in the policy. The District should establish procedures to ensure compliance.

Response – The District will review and revise its current policy FEB to define “small projects” and more clearly identify the types of contracts encompassed in the policy. The District will develop procedures to ensure compliance with the policy and with Iowa law regarding these projects.

Conclusion – Response accepted.

- (I) Public Bidding – Chapter 73A.18 of the Code of Iowa requires the District to advertise for bids when the estimated cost of a project exceeds \$25,000. During the period reviewed, the District did not always obtain competitive bids as required. Effective January 1, 2007, the competitive bidding process and bid thresholds will change significantly for local governments, including school districts.

Recommendation – The District should establish procedures to ensure compliance with statutes pertaining to public bidding on future contracts.

Response – The District will review and revise current policies and procedures regarding the approval of projects, contracts and change orders to ensure compliance with Iowa law, competitive bidding and bid thresholds. We will establish procedures and practices to ensure compliance with Iowa law and Board policy.

Conclusion – Response accepted.

- (J) District Bidding Requirements – District Policy DJC titled “Bidding Requirements and Local Purchasing” requires “When aggregate cost exceeds \$1,000 on purchases of items and services the board secretary or designee must obtain three written bids or three confirmed oral quotations.” The District did not always obtain bids or quotes for purchases exceeding \$1,000 as required.

In one instance, while three written quotes were requested and obtained, the request for quotes was made after a vendor had begun work on the project.

Recommendation – The District should comply with District policy DJC for contracts in excess of \$1,000 and the public bidding requirements as previously noted in item (I). The policy should clearly identify the “designee”.

Response – The District will review policy DJC for contracts in excess of \$1,000 and develop procedures for employee training on the policy and compliance with the policy. The policy will be revised to clearly identify the “designee”.

Conclusion – Response accepted.

(K) Contracts and Purchase Orders – The following was noted regarding contracts and purchase orders:

1. Chapter 291.1 of the Code of Iowa states, in part, “The president of the board shall...sign all contracts made by the Board...”. District Policy DJI titled “Contracts” requires the Board President sign all contracts with the following exceptions:

- Athletic competition contracts.
- Contracts with little or no fiduciary obligations on either party.
- Athletic officials’ contracts.
- Facility rental contracts.
- Construction contracts that are less than \$5,000.
- Contracts for emergency repair of necessary equipment or other situations where lack of immediate response would somehow jeopardize the District.
- Contracts for educational services for special needs students.
- Checks from activity accounts.

The above exceptions appear to violate Chapter 291.1 of the Code of Iowa which requires the Board President sign all contracts.

Certain contracts made by the Board were signed by the District Superintendent rather than the Board President and certain contracts were not signed at all.

2. District Policy DJI requires the District to enter into contracts for “employment, contracted services and material or service purchases”. The District did not always enter into a contract with vendors for work performed as required.

3. District Policy DJF titled “Purchasing Procedures” requires all District purchases be initiated with a purchase order. District Policy DJI allows administrators to sign purchase orders for items that are part of an established budget and establishes different thresholds for administrative approval. District Policy DJI also requires all purchase orders be presented to the Board for approval (most likely when the Board approves payment for the purchase). District Policy DJC titled “Bidding Requirements and Local Purchasing” requires the approval of the Superintendent for all purchase orders in excess of \$5,000. Purchase orders were not always utilized and certain purchase orders in excess of \$5,000 were not approved by the Superintendent.

Recommendation – The District should modify its policies pertaining to signing contracts to comply with statutes and should establish procedures to ensure contracts are signed by the Board President as required. The District should establish procedures to ensure compliance with District policies requiring the use of contracts and purchase orders and should ensure the Superintendent approves all purchase orders in excess of \$5,000.

Response – The District will review and revise current policies and procedures regarding the approval of contracts and purchase orders ensure compliance with Iowa law. We will establish procedures and practices to ensure compliance with Iowa law and Board policy. Established procedures will include processes to ensure all contracts are signed by the Board president and all purchase orders over the designated threshold are approved by the Superintendent.

Conclusion – Response accepted.

- (L) Sales Tax – The District paid \$491 in sales tax to Story Construction on two invoices, one for work done at the High School and one for work done at the Middle School.

Recommendation – Section 423.3(31) of the Code of Iowa exempts Iowa governments from the payment of sales tax. The District should seek reimbursement for sales tax paid.

Response – The District will file for sale tax reimbursement on the Story Construction invoices to the extent that Iowa law will allow. Future invoices will be reviewed for compliance with the Ames Community School District tax exemption, and refunds will be requested for any sales tax charged.

Conclusion – Response accepted.

- (M) Request for Proposal for Audit Services – Chapter 11.6 (2) of the Code of Iowa requires the use of a request for proposal (RFP) process in contracting with a certified public accountant for an audit. The District did not use an RFP process prior to contracting for its fiscal 2004, fiscal 2005 and fiscal 2006 audits.

Recommendation – The District should utilize an RFP process in contracting for the annual audit as required by Chapter 11.6 (2) of the Code of Iowa.

Response – The District will review and revise its policy DIE entitled “Audits” to include a periodic RFP process in compliance with Iowa Chapter 11.6(2). An RFP for audit services will be issued in compliance with Iowa law and Board policy.

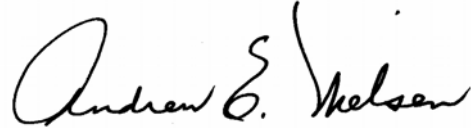
Conclusion – Response accepted.

Ames Community School District

Staff

This reaudit was performed by:

Marlys K. Gaston, CPA, Manager
Nancy F. Curtis, CPA, Senior Auditor II
Donna R. Neubauer, Assistant Auditor
Philip J. Cloos, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State