



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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**NEWS RELEASE**

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FOR RELEASE \_\_\_\_\_ October 17, 2005 6:30 pm \_\_\_\_\_

Auditor of State David A. Vaudt today released a reaudit report on the Ames Community School District for the period July 1, 2003 through June 30, 2004. The reaudit also covered certain items to determine practices applicable to the year ended June 30, 2005. 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 use of credit cards and related travel expenses and to demonstrate compliance with the Code of Iowa. Recommendations were also made to the District regarding District policy for use of cellular phones. The District responded favorably to the recommendations contained in the reaudit report.

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

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**AMES COMMUNITY SCHOOL DISTRICT**  
**AUDITOR OF STATE'S REPORT ON REAUDIT**  
**FOR THE PERIOD**  
**JULY 1, 2003 THROUGH JUNE 30, 2004**

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**Ames Community School District**

**Officials**

| <u>Name</u>  | <u>Title</u>  | <u>Term Expires</u> |
|--|---|---------------------|
| <b>Board of Education<br/>(Before September 2003 Election)</b> |   |                     |
| Jane Acker   | President   | 2004                |
| Allison Tyler  | Vice-President  | 2003                |
| John Hascall   | Board Member  | 2003                |
| Mary Ann Dilla   | Board Member  | 2003                |
| Pat Brown  | Board Member  | 2004                |
| Gloria Symons  | Board Member  | 2005                |
| Mark Snell   | Board Member  | 2005                |
| <b>(After September 2003 Election)</b>                         |   |                     |
| Jane Acker   | President   | 2004                |
| Mark Snell   | Vice President  | 2005                |
| Pat Brown  | Board Member  | 2004                |
| Gloria Symons  | Board Member  | 2005                |
| Gail Johnston  | Board Member  | 2006                |
| Mary Ann Dilla   | Board Member  | 2006                |
| Roy Cakerice   | Board Member  | 2006                |
| <b>District Officials</b>                                      |   |                     |
| W. Ray Richardson  | Superintendent  | 2004                |
| Kurt Subra   | District Secretary/Treasurer<br>and Chief Financial Officer | 2004                |
| Ahlers & Cooney, P.C.  | Attorney  | 2004                |

**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:

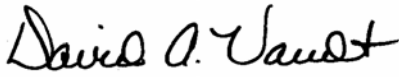
We received a request to perform a reaudit of the Ames Community School District under Chapter 11.6(4) of the Code of Iowa. We determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit and through our review of the preliminary information 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, 2003 through June 30, 2004. We also inquired and performed procedures for certain items to determine practices applicable to the year ended June 30, 2005. The procedures we performed are summarized as follows:


1. We obtained and reviewed the District's policies and procedures regarding use of credit cards and compliance with Chapter 279.8 of the Code of Iowa.
2. We obtained and reviewed the District's policies and procedures regarding travel expenses and reimbursement requirements.
3. We inquired as to whether the District uses and/or allows the use of procurement cards.
4. We reviewed the District's minutes record for discussion and action, if any, pertaining to the District's credit card policies and revisions.
5. We reviewed and tested selected travel expenses of selected officials, administrators and employees of the District for fiscal 2004 and fiscal 2005 to date for proper documentation and compliance with District policies and contractual agreements, if applicable.
6. We reviewed and tested selected credit card transactions and payments to credit card vendors for proper documentation and compliance with District policies and contractual agreements, if applicable.

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 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

June 24, 2005

## **Detailed Findings**



Ames Community School District

Detailed Findings

July 1, 2003 through June 30, 2004

- (A) Credit Cards – The District uses a MasterCard for miscellaneous and travel expenses, a Heart of Iowa credit card for gas purchases and a Staples business credit card for office supplies. Use of the Staples business credit card requires an approved purchase order prior to purchase. The District represented it does not use and/or allow use of procurement cards.

Chapter 279.8 of the Code of Iowa authorizes the District to establish a policy to allow employees to use credit cards issued to the District to pay the actual and necessary expenses incurred in the performance of work-related duties. Although guidelines for use are included in the District's expense reimbursement administrative rules, the District does not have a specific credit card policy. The District's administrative rules state, in part:

“District credit cards are maintained under the control of the Superintendent or designee. Credit cards may be issued to employees on school business when the Superintendent or designee deems it necessary. Credit cards are to be returned to the Business Office immediately after use. Receipts are required for all expenses for which reimbursement is requested. District credit card receipts are to be returned with the credit card. Failure to return the required receipts will result in suspension of credit card use.”

We tested the District's MasterCard and Heart of Iowa gas card charges and also reviewed the District's procedures pertaining to these cards as noted below. Had additional testing been performed, there may have been additional findings.

MasterCard:

The District has four cards. One card is assigned to the Superintendent and the remaining three are held in the Business Office and are available for use upon completion of a pre-authorization form addressed below.

1. The District uses a form to pre-authorize use by employees which is required to be signed by the individual authorizing the use. This form is not specifically addressed in District policy or administrative rules. The pre-authorization form was not always completed and was not always signed to document the authorization to use the District's credit card.
2. Credit card charges were not always supported with receipts as required in the District's administrative rules. For October 2003 (fiscal 2004), 25 of 31 charges, or \$4,259 of \$5,912, tested were not properly supported with receipts. For March 2005 (fiscal 2005), 11 of 24 charges, or \$1,994 of \$3,317, were not properly supported with receipts. In addition:
  - a. The purpose of the trip was not always documented.
  - b. The meal receipts did not always identify the number and names of individuals included in the meal receipt.

3. The Superintendent charged a total of \$230 for meals in Ames on five occasions during the year ended June 30, 2004. The meals were for the Superintendent and other individuals, including employees of the District. One charge for \$69 was described as “lunch/celebrate Sandy’s 40 years with the District.”

The District does not have a policy or administrative rules addressing or allowing meals within the District and the public purpose for the meals was not clearly documented or readily apparent. We did not determine whether this was included in taxable income.

Heart of Iowa Gas Card:

1. The District has 39 gas cards, nine of which are extra or replacement cards maintained by the Maintenance Department. Of the remaining 30 cards, 28 are assigned to individuals in seven departments and two cards in two departments were not specifically assigned.
2. The District represented gas charge receipts were not always retained after comparing amounts to the amounts billed per invoices.
3. Mileage logs are not used to substantiate fuel purchases.

Recommendation – The District should adopt a specific credit card policy pursuant to Chapter 279.8 of the Code of Iowa. The District’s policies and administrative rules should be reviewed and revised and procedures should be implemented to ensure compliance with these requirements, including strict adherence to the requirements for pre-authorization and for obtaining proper supporting documentation prior to payment.

The District should determine the propriety of payment for in-district meals. Pursuant to Article III, Section 31 of the Constitution of the State of Iowa, public funds may only be spent for the public benefit. Also, according to an Attorney General’s opinion dated April 25, 1979, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin. The District should consider these requirements and determine and document the public purpose served, before authorizing payments, when public purpose is not otherwise readily apparent. The District should review and determine the taxable status of in-District meals.

In addition, Chapter 279.30 of the Code of Iowa states, in part:

“Each warrant must be made payable only to the person performing the service or presenting the verified bill, and must state the purpose for which the warrant is issued.” Although no findings were noted, District policy should also address reimbursement of allowable expenses when personal credit cards are used by an employee on District-related business. Specifically, the District should not allow one employee to pay for and submit reimbursement requests for travel expenses for other employees. Consistent with Chapter 279.30 of the Code of Iowa, payments for allowable expenses should be reimbursed directly to the employee incurring the expense on behalf of the District. In addition to compliance with this statutory requirement, this also enables the District to ensure the propriety and allowability of costs submitted for reimbursement.

The District should evaluate the number of and its internal control over the gas cards. Receipts should be retained and mileage logs should be required to substantiate the purchases.

Response – As noted, the District has administrative rules for credit card use as part of the Expense Reimbursement policy (DLC). Administration is working with the Board’s Policy

Committee to develop a separate credit card policy and to update/expand the administrative rules.

Pre-authorization forms are used to ensure an employee's supervisor has approved anticipated expenses and to track the expenses to the department/program that is paying for the goods/services received.

We note that six employees used the credit card in March 2005 for transactions totaling \$3,317 and that 13 of the 24 transactions that month were for a conference attended by two employees.

We reviewed all 24 transactions on the March 2005 MasterCard statement, as these transactions occurred after the external audit recommendations in the FY04 audit report. We disagree with two of the comments related to the MasterCard, at least for the credit card transactions in March 2005:

All pre-authorization forms were completed and signed;

The pre-authorization forms documented the purpose of each of the four out-of-district trips.

We acknowledge that deficiencies in documentation may have existed with some MasterCard transactions in October 2003. We also acknowledge that for March 2005:

Four meal transactions totaling \$140.16 were supported by summary credit card receipts without the supporting itemized receipts,

Receipts for five of the credit card transactions, totaling \$1,880.01, were located after the re-audit field work. Three of the receipts had been filed with January 2005 MasterCard receipts.

Four transactions totaling \$55.44 were not supported by any receipts.

Our revised administrative rules will include example receipts and a checklist for those using the credit card to ensure complete documentation is returned with the card.

Policy DLC will be expanded to address in-district meals, including the taxable status of such meals. As noted during the re-audit, these meals have occurred very infrequently but need to be addressed in Board policy. Policy DLC will also include language regarding reimbursement of expenses charged against a personal credit card.

Finally, our credit card policy will include language and example documentation (including mileage logs) to enhance procedures related to the Heart of Iowa Gas Card.

Conclusion – Response accepted.

- (B) Travel Expenses – Employee travel claims were tested for approval and compliance with District policies and administrative rules for expense reimbursement, as previously referenced in item A, from the General Fund, Student Activity Fund and Agency Fund. Had additional testing been performed, there may have been additional findings.

Chapter 279.29 of the Code of Iowa states, in part:

“The board shall audit and allow all just claims against the corporation, and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed. In any district in which the board consists of five or more members, an audit made by one or more members of the board designated by the board or by a certified public accountant employed by the board, and certified to the board by such member or members of the board or by such

accountant, shall satisfy the requirements of this section with respect to the audit of a claim.”

Chapter 279.30 of the Code of Iowa allows the Board to authorize, by resolution, the (Board) Secretary to issue warrants when the Board is not in session for certain specified items. In addition, the Board may, by resolution, authorize the (Board) Secretary, upon approval of the President of the Board, to issue warrants when the Board is not in session, but only upon verified bills filed with the (Board) Secretary.

Chapter 291.1 of the Code of Iowa requires the Board President to “sign all contracts made by the board.” Also pursuant to this section, the Board may, by resolution, designate an individual who shall not be the (Board) Secretary to sign warrants on behalf of the President. The Board Secretary countersigns District warrants pursuant to and consistent with Chapter 291.8 of the Code of Iowa.

District Policy DK, “Payment Procedures”, establishes the District’s procedures for audit of claims pursuant to Chapter 279.29 of the Code of Iowa. District Policy DJI, “Contracts”, identifies specific instances when the Superintendent is authorized to sign on behalf of or in lieu of the Board President, including various contracts and “checks from (Student) Activity (Fund) accounts.”

Student Activity Fund and Agency Fund claims are approved and a list of claims is signed by the Superintendent prior to Board approval. Chapter 291.1 of the Code of Iowa allows the Board to delegate the Board President’s warrant signature requirement to another individual, who shall not be the Board Secretary. The Board has delegated this duty to the Superintendent. However, Chapters 279.29 and 279.30 of the Code of Iowa do not appear to allow the Board to delegate the Board approval requirements to the Superintendent. The claims were not approved by the Board until after the claims have been paid and the claims were not audited and allowed or approved by the Board President pursuant to Chapter 279.30 of the Code of Iowa. Board Policy does not address this requirement.

Consistent with Chapter 279.29 of the Code of Iowa and Board Policy DK, “Payment Procedures”, claims, other than for Student Activity and Agency Funds, are audited by a Board Member prior to payment and the claim list is signed by the Board Member. The Board President also signs the claim list to evidence approval, as required by Chapter 279.30 of the Code of Iowa. However, the Board President’s approval/signature is not always obtained prior to payment, as required.

For eleven of 20 items tested, supporting documentation was not properly cancelled for all items reimbursed.

Two of five reimbursements for meals exceeded the per day meal limit established by the District.

One of five reimbursements did not itemize the meals on the travel claim and reimbursement was based on a lump sum for multiple days within the claim period.

The total claims approved in the Board minutes do not clearly reconcile with the list of claims reviewed and signed by a Board Member and the Board President prior to payment.

Recommendation – The District should review and revise its procedures to ensure compliance with Chapters 279.29, 279.30 and 291.1 of the Code of Iowa. Supporting documentation should be required and reviewed for propriety and compliance with the District’s policies and administrative rules prior to payment. Student Activity Fund and Agency Fund invoices should be marked paid to help prevent duplicate payments. The District should implement procedures to reconcile the claims approved by the Board at the monthly Board meetings with the approved claims listings audited by the Board Member and signed by a Board Member and the Board President.

Response – It appears that with our Student Activity and Agency Funds we have not been stamping invoices as “paid” whereas we have that procedure in place when paying invoices for all other funds. We will modify our procedures to properly “cancel” supporting documentation as an additional control to prevent duplicate payments.

For several years our practice has been to have the Superintendent perform the “audit and allow” function for Student Activity and Agency Fund payments, which are issued weekly. We are examining ways to satisfy code sections 279.29, 279.30 and 291.1 to have a Board Member perform the audit and allow procedures for these funds, in addition to having the Board President approve payments before they are issued, even after another Board Member has performed the more detailed audit and allow function. While it seems redundant, we want to ensure that our process complies with the law.

We will re-emphasize the per diem meal limitations and audit expense reimbursements to ensure that Board-approved per diem amounts are not exceeded. We acknowledge that the per diem rate should be applied to each day and not aggregated for multiple days.

Finally, we will modify our monthly claims summary to reconcile claims paid via check to total claims paid, to include electronic payments, such as medical/dental claims paid by our self-insurance fund, payroll direct deposits, etc.

Conclusion – Response accepted.

- (C) Cellular Phone Policy – The District’s Director of Technology represented, pursuant to an administrative decision, employees may use a District-owned cellular phone and be responsible for personal calls or employees may use their own cellular phone for District business and receive a \$20 per month reimbursement. The District does not have a written policy addressing this use of and/or reimbursement for cellular phones.

Recommendation – The District should establish a policy to address the use of District-owned cellular phones, including use by employees of the District should be restricted for District-related business. In addition, the District should determine the propriety of and approve the amount, if any, to be reimbursed to employees for use of employee-owned cellular phones for District-related business.

Response – As a way of minimizing cost to the District, a few employees were not issued District cell phones. Rather, they were reimbursed for work-related use of personal cell phones at a monthly rate of \$20. We will work with our Policy Committee to adopt a policy regarding personal vs. District cell phones and related reimbursements.

Conclusion – Response accepted.

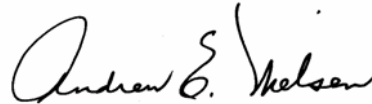
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Ames Community School District

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director  
Donna F. Kruger, CPA, Senior Auditor II  
Jedd D. Moore, Staff Auditor



Andrew E. Nielsen, CPA  
Deputy Auditor of State