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STATE OF IOWA

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FOR RELEASE August 31, 2007

Auditor of State David A. Vaudt today released a reaudit report on the Collins-Maxwell Community School District for the period July 1, 2005 through June 30, 2006. The reaudit also covered certain items to determine practices applicable to the years ended June 30, 2005 and June 30, 2007. The reaudit was performed at the request of an employee of the District pursuant to Chapter 11.6(4)(b) of the Code of Iowa.

Vaudt recommended the District properly publish all minutes, including the schedule of bills allowed, as required by the Code of Iowa. Vaudt also recommended the District enter into a 28E agreement with the City of Collins for shared use of the baseball/softball fields owned by the City. Other recommendations included revisions for activity events admission procedures and corrective transfers between funds of the District. The District responded favorably to the recommendations included in the reaudit report.

A copy of the reaudit report is available for review in the District's Business 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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COLLINS-MAXWELL COMMUNITY SCHOOL DISTRICT

AUDITOR OF STATE'S REPORT ON REAUDIT

**FOR THE PERIOD
JULY 1, 2005 THROUGH JUNE 30, 2006**

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Collins-Maxwell Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Bob Pritchard	President	2005
Cindy Patterson	Vice-President	2006
Lowell Crouse	Board Member	2006
Tony Sorenson	Board Member	2007
Mark Huntrods	Board Member	2007
(After September 2005 Election)		
Bob Pritchard	President	2008
Lowell Crouse	Vice President	2006
Cindy Patterson	Board Member	2006
Tony Sorenson	Board Member	2007
Mark Huntrods	Board Member	2007
District Officials		
Doug Miller	Superintendent	Indefinite
Bonnie Mitchell	District Secretary/Treasurer	Indefinite

Collins-Maxwell Community School District



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Auditor of State's Report on Reaudit

To the Board of Education of the
Collins-Maxwell Community School District:

We received a request to perform a reaudit of the Collins-Maxwell Community School District (District) under Chapter 11.6(4)(b) of the Code of Iowa. As a result, we performed a review of the fiscal 2006 audit report and workpapers prepared by the District's certified public accounting firm to determine whether the CPA firm may have addressed any or all of the specific issues identified in the request for reaudit during the annual audit of the District. Based on this review and our review of the preliminary information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the Collins-Maxwell Community School District for the period July 1, 2005 through June 30, 2006. We also inquired and performed procedures for certain items to determine practices applicable to the years ended June 30, 2005 and 2007.

The procedures we performed are summarized as follows:

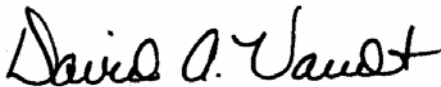
1. We reviewed the District's minutes for compliance with Chapter 21 of the Code of Iowa and the publication requirements of Chapters 279.35 and 279.36 of the Code of Iowa.
2. We inquired about the District's policies and procedures pertaining to internal control over signature stamps, checks written to the District, activity events admissions and computer passwords.
3. We reviewed selected expenditures from the Special Revenue, Physical Plant and Equipment Levy (PPEL) Fund for compliance with Chapter 298.3 of the Code of Iowa.
4. We inquired about and reviewed improvements made to property owned by the City of Collins and related 28E agreements, if any.
5. We requested and reviewed copies of documentation and related accounting and reporting of a scholarship trust agreement.
6. We reviewed and tested the District's open enrollment as reported to the Iowa Department of Education in its certified enrollment report and related District documentation.
7. We reviewed and tested payments made for non-public transportation aid.
8. We obtained and reviewed the District's early retirement policy.

9. We reviewed and tested accounting and reporting for rental income and disbursements related to a District-owned home for compliance with Chapter 297.22 of the Code of Iowa.
10. We reviewed selected improvements and tested compliance with the competitive bidding and competitive quotation requirements of Chapter 26 of the Code of Iowa.
11. We reviewed the Student Activity Fund, Yearbook Account for proper classification.

Based on the performance of the procedures described above, we identified instances of non-compliance and have developed 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, items of non-compliance were not 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 Collins-Maxwell 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 Collins-Maxwell 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 13, 2007

Detailed Findings

Collins-Maxwell Community School District

Detailed Findings

July 1, 2005 through June 30, 2006

- (A) Board Minutes – Chapter 279.35 states, in part, “The proceedings of each regular, adjourned, or special meeting of the board, including the schedule of bills allowed, shall be published after the adjournment of the meeting in the manner provided in this section and section 279.36” and “The secretary shall furnish a copy of the proceedings to be published within two weeks following the adjournment of the meeting.”

Chapter 279.35 of the Code of Iowa also states, in part, “The schedule of bills allowed may be published on a once monthly basis in lieu of publication with the proceedings of each meeting of the board” and “The list of claims allowed shall include the name of the person or firm making the claim, the purpose of the claim and the amount of the claim.” The District publishes bills once monthly as permitted by Chapter 279.35 of the Code of Iowa.

The minutes, including the schedule of bills allowed, were not published for regular meetings held on November 21, 2005 and December 20, 2005. Also, the minutes for special meetings held on January 9, 2006 and April 3, 2006 were not published. The list of claims allowed did not include the purpose of the claim as required by Chapter 279.35 of the Code of Iowa.

According to the minutes record, the Board approved a schedule of bills to be paid at each meeting. However, the minutes record did not include the total amount of bills approved for payment. The schedule was not always retained with the minutes record and the list of claims allowed did not include a description of the bill or the total dollar amount approved. Accordingly, we were unable to determine whether all claims were appropriately approved by the Board as required.

Although Board minutes were generally signed, the Board minutes for the meeting held on February 20, 2006 were not signed.

Recommendation – The District should properly publish all minutes, including the schedule of bills allowed, and include the purpose of claims allowed as required by Chapters 279.35 and 279.36 of the Code of Iowa. The list of claims allowed should be retained and filed with the Board minutes and the minutes record should specify the total amount of bills approved by the Board. Although not required by statute, the minutes of all meetings should be signed by the District Secretary and Board President to authenticate the record.

Response – The District was aware of the communication breakdown regarding publishing of minutes and bills and had corrected the procedures prior to the reaudit. An acknowledgment from the newspaper has been requested confirming receipt of the minutes. We will strive to be sure that all Board minutes are signed as required.

Conclusion – Response accepted.

- (B) Checks Written to District – Corrective transfers between funds were made by issuing checks payable to the District. During the year ended June 30, 2006, the District wrote checks payable to itself for \$5,232. Eight of the twenty payment requests reviewed for these disbursements did not include the Superintendent’s initials or signature to evidence approval.

Recommendation – Corrective transfers should be made by adjusting journal entry (AJE) and copies of the supporting documentation for the payments and/or AJE should be retained by the District. All payment requests should be reviewed and approved by the Superintendent.

Response – Transfers will be made by adjusting journal entries with supporting documentation reviewed and approved by the Superintendent.

Conclusion – Response accepted.

- (C) Activity Events Admission Procedures – The District does not have a written policy addressing internal control and procedures for handling cash at activity events, such as athletic and other District sponsored events. Individuals working at these events do not recount cash and/or sign for the custody of the cash when obtaining the cash drawer prior to the event, pre-numbered tickets are not used, two individuals are not required to work and handle collections at all events and workers are not required to recount and reconcile cash collections prior to turning in the cash drawer.

Recommendation – The District should implement a written Board policy addressing internal control procedures for handling cash for all activity events. At a minimum these procedures should include the following:

- a. Cash or change boxes should be established with a specified amount.
- b. The District should use pre-numbered tickets.
- c. Two or more individuals should be involved in the cash collection/ticket sales process. In addition to cash collection/ticket sales procedures, the individuals should be instructed to not leave the cash/change boxes unattended under any circumstances.
- d. At the end of the event, cash should be counted and reconciled (by two or more individuals) to sales/pre-numbered tickets sold and the amount of the beginning cash.
- e. To reconcile, the next unsold ticket number less the beginning ticket number determines the number of tickets sold. This number times the price per ticket equals total sales. Total sales compared to total collections should reconcile. Variances, if any, should be minimal.
- f. A reconciliation form should be completed and signed by the individuals responsible for counting and reconciling the cash.
- g. The cash and change box should be turned into the Athletic Director (AD) or designee responsible for the “accounting” function at the event.
- h. The AD or designee should be required to take the cash to the night depository at the bank or, at a minimum, lock the cash collections in the District’s vault or other secure location at the District’s office for deposit on the next working day. District procedures should prohibit individuals from taking cash collections home.
- i. A pre-numbered receipt should be issued by the Business Office the next working day in the amount of the confirmed deposit.
- j. Administrative personnel should periodically review/test the process to ensure procedures are working as prescribed.

Response – We will review procedures and investigate available alternatives as recommended.

Conclusion – Response accepted.

- (D) Information System – The District does not have written policies over the computer based financial system requiring password changes because District software does not require the user to change log-in IDs/passwords periodically. Employees may share log-in IDs/passwords and employees are not instructed to maintain password privacy and confidentiality. Also, employee log-in IDs are not immediately removed upon employee termination or separation from the District.

Recommendation – The District should develop written policies addressing the above items to improve the District’s control over the computer based financial system.

Response – Employee ID’s will be updated periodically and separate passwords for each employee accessing the computer based financial system have been established. Log-in privileges will be rescinded when employees no longer need access to the system.

Conclusion – Response accepted.

- (E) Physical Plant and Equipment Levy – Chapter 298.3(3) of the Code of Iowa states the Physical Plant and Equipment Levy (PPEL) 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.” During the year ended June 30, 2006, the District made three purchases of equipment with costs of less than \$500 per unit. Also, the District has a school-owned home which it rents. The District paid property tax from the Special Revenue, PPEL Fund for this rental property. These expenditures do not appear to be allowable expenditures from the Special Revenue, PPEL Fund.

Recommendation – The District should make corrective transfers to reimburse the Special Revenue, PPEL Fund for \$257 from the General Fund for the cost of this equipment and \$962 for the property tax paid on the District’s rental property. Procedures should be established to ensure compliance with Chapter 298.3 of the Code of Iowa pertaining to allowable expenditures of PPEL funds.

Response – Corrective transfers as suggested will be made.

Conclusion – Response accepted.

- (F) Improvements to City Property – The District shares baseball/softball fields with the City of Collins. However, there is no written agreement between the District and the City documenting the terms and conditions of this arrangement. During fiscal 2006, the District disbursed \$15,370 from the Special Revenue, PPEL Fund for improvements to the City’s property and an additional \$9,884 was disbursed from July 1, 2006 through June 11, 2007.

In June 2006, the District adopted plans for two buildings, including a concession stand with restrooms and storage and a separate storage shed at the baseball/softball field owned by the City of Collins. The estimated total cost of the project was \$23,770.

Chapter 298.3(8) of the Code of Iowa states the PPEL levy may be used for “the rental of facilities under Chapter 28E.” Since the District and the City have not entered into an agreement under Chapter 28E of the Code of Iowa, the public purpose of the expenditures should have been documented.

Article III, Section 31 of the Constitution of the State of Iowa provides public funds may only be spent for the public benefit. This public purpose criterion is also addressed in various court cases and opinions of the Attorney General, including an Attorney General’s opinion dated April 25, 1979. According to the opinion, it is possible for such disbursements 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 improvements to City property may not be a proper expenditure of District funds since the public purpose was not documented. Also, the cost of these improvements may not be an allowable expenditure from the PPEL levy since a lease agreement was not entered into under Chapter 28E of the Code of Iowa.

Recommendation – The District should enter into a 28E agreement with the City of Collins pursuant to Chapters 28E and 298.3 of the Code of Iowa. Legal counsel should be consulted to assist in establishing the 28E agreement with the City.

Response – The District will pursue a 28E agreement with the City of Collins based on advice of legal counsel.

Conclusion – Response accepted.

- (G) Scholarship Funds – In 1983, a trust agreement was established which created a not-for-profit organization known as the “Clay and LaVonne Robison Educational Opportunity Fund”. According to the terms of the initial trust, the Superintendent of the Collins-Maxwell Community School District served as one of three directors. However, in 1993, the trust agreement was amended to provide transfer of ownership of the trust to the Collins-Maxwell Community School District upon the death of the donor.

The “Clay and LaVonne Robison Trust” (Trust), consisting of a gift of property, was transferred to the District in 1997. The intent of the Trust is to generate income from the use of the property to provide scholarships for students. The District does not account for the Trust in the District’s accounting system and has not reported the Trust transactions and balances in its Certified Annual Report (CAR) or the annual audit report of the District.

The District has continued to register the “Clay and LaVonne Robison Educational Opportunity Fund” as an active corporation with the Iowa Secretary of State even though it is no longer functional.

Recommendation – The District should record the gift of property (land) in its capital assets listing at the fair market value as of the date of the gift. The District should also account for and report the transactions and balances of the “Clay and LaVonne Robison Trust” in a private-purpose trust fund in the District’s records and in the CAR and annual audit. The District should inform the Iowa Secretary of State of the inactive status of the “Clay and LaVonne Robison Educational Opportunity Fund”.

Response – We will make changes as suggested and needed.

Conclusion – Response accepted.

- (H) Non-Public Student Transportation – During fiscal 2006, the District paid the cost of non-public transportation aid for two students. However, the District was unable to provide documentation supporting a \$127 disbursement for one student, including the request (application) form, documentation from the Iowa Department of Education or the receipt from the State of Iowa for reimbursement of these transportation costs.

Recommendation – The District should implement procedures to ensure all documentation is retained and filed in support of all disbursements.

Response – The recommendation is accepted and will be implemented.

Conclusion – Response accepted.

- (I) Student Activity Fund – Yearbook Account – Chapter 298A.8 of the Code of Iowa states, in part, “A student activity fund must be established in any school corporation receiving money from student-related activities such as admissions, activity fees, student dues, student fund-raising events, or other student-related cocurricular or extracurricular activities. Moneys in this fund shall be used to support only the cocurricular program defined in Department of Education administrative rules.”

The District provides class credit for student participation on the Yearbook. The District maintains a student activity account for the Yearbook. Since participation on the Yearbook staff is required for class credit, the District should account for all class related transactions in the General Fund. The District may only maintain an account in the Student Activity Fund for the Yearbook if participation is optional as an extracurricular activity in accordance with Chapter 298A of the Code of Iowa.

Recommendation – The District should reclassify the Student Activity Fund, Yearbook Account by transferring this account to the General Fund.

Response – The yearbook account will be transferred to the General Fund.

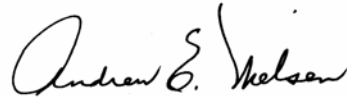
Conclusion – Response accepted.

Collins-Maxwell Community School District

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director
Lesley R. Geary, CPA, Senior Auditor II
Corinne M. Johnson, CPA, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State