

No Standing News

Since we have no standing, we stand with those left standing.

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Taking the Strassner Challenge

Keith Strassner, co-chair of the "It's Worth It" levy committee, took umbrage at the audit petitioners' charge that the school board hasn't been getting a management letter or compliance review with their audit. He challenged readers of his Sunday, September 16th RDN letter to read the school audit and particularly the four sections he pointed out entitled "Report on Compliance and Internal Control" etc. Keith said the four sections would prove that "Nothing is out of compliance." This, he said, proves the petitioners are all wet. We did read it - now we wonder if he did.

Strassner's Proof:

1): In this page 1 disclaimer, Evers & Company, the school district's private audit firm, say they only audited the financial statements and they only give "reasonable assurance" about whether the financial statements are "free from material misstatement." Isn't that the problem, the district has been getting only a financial audit and not a compliance audit? Evers also says that the financial statements of the "Internal Service Fund were not audited in accordance with Government Auditing Standards." What other standard was used? What is the Internal Service Fund and why wasn't it included in the audit? In the last paragraph they said they didn't "include a general fixed asset account group which should be

included to conform with other comprehensive basis of accounting principles. The effect on this departure (from the usual accounting principles) on the financial statements cannot be determined." That's a lot of financial stuff to leave out of a financial audit, isn't it?

2): In the next disclaimer on page 32 Keith wanted us to read, they again say that they only audited the financial statements and they only "issued a qualified report" on that much. Under the Compliance section they say they performed tests of compliance with "certain provisions of laws, regulations, contracts and grants," but then the auditor ducked through another loophole by adding: "providing an opinion on compliance with those provisions was not the objective of our audit and, accordingly we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards." If testing for compliance wasn't their "objective" why do they do it and what did they find that was **not**, "required to be reported"? Remember this is the year their report was six months late because they couldn't find \$200,000. Is that one of those too-minor-to-report kind of things? They make the same "It's not our job" disclaimer again in the next paragraph. Keith, you're 0 and 2.

3): Page 34 is just another disclaimer and it says they used standards that only apply to - guess what - just financial audits.

4): Pages 36 and 37, are the summary that Keith says proves: "Nothing is out of compliance!" but his proof is nothing more than a minimal checklist. One of these fill-in-the-blanks and true/false questions says the "auditee is NOT low risk." If the district is high risk why are they only getting a financial audit and not getting a management compliance audit? It is just like the checklist on pages 26-29, showing that they counted heads and free lunches and days of school and so forth. These are all numbers that have to be verified so the district can get state and federal head count money. What they didn't tell Keith is that in both the 1999 and this 2000 audit, Evers and Company had to issue correction sheets to their report because their first counts were wrong! These guys didn't get it right the first time. Isn't it a treat to see skilled professionals at work?

It's Undeterminable? Since Keith was so anxious for us to read the entire audit, we did and that's where we found the really interesting stuff. On page 13, in what is supposed to be the explanation or "Notes" to the financial statement, the auditor says that employee sick leave (which the board foolishly allows to accumulate

year after year in unlimited amounts) *"is payable upon termination."* But, he says, *"The amount was undeterminable as of June 30, 2000."* Undeterminable? How can money owed be undeterminable? Couldn't he add up this financial liability or doesn't the district keep track of the sick leave payments they may have to pay out at the drop of a hat? This just begged for more investigation so we looked in the 1999 audit and Evers said the same thing last year - sick leave was "Undeterminable." How many years has he been clueless about this liability? The very least an auditor is supposed to deal with is this kind of simple addition and subtraction - what was his problem? Doesn't it bother the school board that at any time 20 or 30 people might quit (as they did last year) with hundreds of days of accumulated sick leave due and punch a hole in the budget with this "undeterminable" bill? Bass, Rapier and Stratman have been seeing these reports for the last nine to twelve years; have any of them actually read these audits? A perpetually undeterminable sick leave liability sounds like something that should be pointed out in a management letter, doesn't it?

On the same page, the auditor said the district does not keep inventory cost records. *"Inventory is deemed to be immaterial,"* they say. Well buddy, it's not immaterial if you're paying the taxes they buy it with.

On page 21, Note 8 - Contingencies: "Contingencies" is a fancy auditor's word for wading waist deep in alligators. The auditor didn't stick his neck out on this one; instead he slyly put "the District's" neck on the chopping block. Auditor: *"The District is not aware of any noncompliance with Federal or State provisions that might require the*

District to provide reimbursement." Well, boy howdy if **"the District"** says everything is okey-dokey why should the auditor waste his time checking on it?

In the same section about Litigation Contingencies the auditor used the same dodge - *"In the opinion of the District management, the potential loss on all claims and lawsuits will not be significant to the District's financial statements."* This time we get both an audit opinion and a legal opinion from the **"the District."** Just who is this "District" yahoo who tells the auditor not to bother checking on these liabilities? We know "the District" he is quoting is not the school board because if he got this opinion from them it would say, "In the opinion of the One Voice" ... Did we pay Evers and Company to just quote Ewing and Westbrook; are they now "the District"? And just how many lawsuits do they have anyway? How does "the District" know these potential losses on lawsuits will be insignificant? Win or lose, have you ever seen a bill for litigation that was "insignificant"?

On page 22, Note 9 - Risk Management: The auditor tells us very little about the District Self-Insurance Fund except that it's losing money at a rapid rate - in other words, the risk isn't being managed at all, the pot is just being refilled from general revenue when it gets low. Our school board, unlike everyone else with common sense, runs its own insurance company to provide employees with medical, dental, and prescription drug coverage. (And you thought they were in the education business. Not so, they're in the insurance business.) The board pays 100% of the premium for all certified staff. That's terribly sweet but it's also a dim-witted business practice.

Teachers, principals and our very, very well paid Superintendents have teaching certificates and so they are all classified as "certified staff." All certified staff, receive free medical, prescription and dental care. They only have to pay a premium if they add a spouse or children to their insurance. (Now keep your eye on the ball here.) In January the board raised the certified staff premium 15%. At the board meeting on September 13th the board raised the certified staff insurance premium another 40%. That's a total increase of 55% in the certified staff health insurance premium just this year because the fund was going broke. They also raised the additional insured (spouse and kiddies) premium by 50%. It sounds real tough until you remember the board pays 100% of the premium for all certified staff and certified staff only pay the extra for other family members. So, our brilliant school board RAISED THEIR OWN INSURANCE PREMIUM! The only thing they accomplished was to drain a much larger amount of cash out of the freshly approved budget. That's like asking at the gas station if you can please pay twice the pump price. Oh yeah, you can tell the board has been spending only five minutes on the budget each year.

Did so. Did not. Our last discovery on page 11 was just pitiful and if Keith had attended any board meetings since his pre-levy performance he would know it. Evers and Company states in points 1 through 6 that the board complies with all state laws on budgets. Numbers 2, 4 and 5 are false, as we all know very well. Well, number four is sort of true. The Superintendent does submit the budget to the board before July 1. This year he let them see it for the

first time just a few days before June 28th. Three members, Burns, Blum and Wilkerson insisted on at least one meeting to review the budget before they voted to approve it but Bass, Stratman, Rapier and Kippenberger didn't bother to show up for the review. On the big approval day at 7:30 a.m. the four who didn't bother to show up, leafed through the big document as if they could absorb the contents through their fingertips and then, with formalities observed, they voted to spend millions that were a total mystery to them.

Number 5, second sentence, is also sort of true; the board does have the authority to approve budget adjustments but they don't use it. The law says the board must explain in detail and approve each change in a resolution before it can be made. At every meeting this summer the board ripped holes in the budget by inventing ways to give out money and never once passed a budget amendment resolution. The premise for the requirement of amendment resolutions is that elected officials shouldn't horse around with the budget unless they know exactly why they are doing it, what impact it has on other budgeted amounts and can justify all of it to us - a premise that is lost on some members of our school board. Ewing and Westbrook shift the money around any way they want and tell the board about it long after the fact. The board then beams on their education experts, nods wisely as if they really get it and votes to "ratify" whatever they did whenever it was that they did it.

So the auditor is just helping the board maintain a pretense of legality by carefully wording these key compliance statements. When something such as this and the disclaimer quoting "the District"

instead of the auditor's own examination are so cleverly worded that they are only 'sort of true' that means they're also 'sort of false.' That's called a distinction without a difference.

Evers and Company's trick or treat. Sometime in October (unless there is another six-month delay like the one last year when they lost track of \$200,000) the auditor from Evers and Company will appear at a school board meeting to give the audit report he was working on before the lack of a management letter became a public issue. Talk about being on the horns of a dilemma! Will Evers and Company suddenly discover a reason this year to produce the management letter that has always been required in their contract? Won't that make their previous "clean" audit statements very suspicious? With a state audit breathing down their necks they are going to have to come up with some kind of performance better than the last seven. Will the board get another 37-page financial report, pretend they understand it in ten minutes, pay the bill and forget another very forgettable audit? This year's report should be very interesting

Nothing is out of compliance Keith? We don't think so. After reading the whole audit, the term "sloppy" is the mildest adjective that comes to mind. The next time they hand you some carefully selected rebuttal points, better take time to read the whole thing before you sit down to write a scathing public letter.

Well, we certainly found the school district audit a worthwhile read and hope you will too. If it doesn't send you screaming into the street to find an audit petition to sign, the tooth fairy must be paying your tax bills.

(Keith strongly recommends you read the Evers & Company audit and so do o w e : <http://rolla.k12.mo.us/ADMIN/2000%20Audit.pdf>)

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