

# Other Observations and Recommendations

This is a summary of control gaps, procedural enhancements, etc. identified.

Observation	Recommendation
<p><b>1. <u>Internal Audit Function</u></b></p> <p>We noted that the District currently does not have an Internal Audit function. The District previously had an Internal Audit Director, but this person was released, and the position is currently vacant. Internal auditing is an independent, objective assurance and advisory service designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.</p> <p>Internal auditing enhances the organization’s:</p> <ul style="list-style-type: none"> <li>• Successful achievement of its objectives.</li> <li>• Governance, risk management, and control processes.</li> <li>• Decision-making and oversight.</li> <li>• Reputation and credibility with its stakeholders.</li> <li>• Ability to serve the public interest.</li> </ul> <p>Internal auditing is most effective when:</p> <ul style="list-style-type: none"> <li>• It is performed by competent professionals in conformance with the Global Internal Audit Standards, which are set in the public interest.</li> <li>• The internal audit function is independently positioned with direct accountability to the board.</li> <li>• Internal auditors are free from undue influence and committed to making objective assessments.</li> </ul> <p>The internal audit function should perform a risk assessment of the organization to create a risk-based internal audit plan that focuses on the areas with the most significant risk exposure, while also ensuring areas of low risk receive adequate audit coverage. After the audit risk assessment is complete, the audit committee approves the plan to put it into action.</p> <p>The items reviewed within the scope of our assessment are some of the processes that would typically be considered in the risk assessment and included in the internal audit plan.</p>	<p>We recommend the District re-establish its internal audit function or contract with a qualified firm to provide internal auditing services.</p> <p>Internal Audit should report functionally to the Board (Audit Committee).</p> <p>We recommend the District consider an immediate full review of the following processes:</p> <ul style="list-style-type: none"> <li>• Hiring and Salaries (e.g., evaluation of onboarding, employment contracts, salary rates, and overall review and approval processes)</li> <li>• Credit Cards and Expense Reimbursement Processes – (e.g., evaluation of appropriateness and activity; review to determine circumvention of procurement procedures)</li> <li>• Procurement Process – (e.g., evaluation of the contracting process including contract approvals)</li> </ul>

Observation	Recommendation
<ul style="list-style-type: none"> <li>Hiring and Salaries (e.g., evaluation of onboarding, employment contracts, salary rates, and overall review and approval processes)</li> <li>Procurement Process – (e.g., evaluation of the contracting process including contract approvals)</li> <li>Credit Cards and Expense Reimbursement Processes – (e.g., evaluation of appropriateness and activity; review to determine circumvention of procurement procedures)</li> </ul>	
<p><b>2. <u>Board Oversight of Superintendent’s Office</u></b>          Several of the issues noted during our assessment were due to the limited level of oversight related to the Superintendent’s position. Due to the level of authority inherent in the Superintendent’s position, policy violations can occur, but not be brought to the Board’s attention due to the fear of possible retaliation. A best practice in organizations is certain activities of leadership (e.g., CEO, CFO) are to be approved and/or reviewed by the Board (or Audit Committee). In some instances, the Board may request the Internal Audit function include activities of leadership within its audit plan and report on results to the Board (or Audit Committee).</p>	<p>We recommend the Board assess the oversight practices, and related policies and procedures, regarding specific actions and activities of the Superintendent’s office, including, but not limited to, travel and expense reimbursements, credit card purchases, and hiring practices related to cabinet members.</p>
<p><b>3. <u>Board Documentation, Board Minutes and Reports</u></b>          At the start of this review, meeting minutes for the previous 12+ months were not finalized or approved by the board. When meeting with Board members in September 2024, concerns were expressed about the need to approve minutes in bulk and their ability to accurately recall decisions made over this extended period. Given the heavy reliance on Board meeting minutes for key decisions and documentation, it is crucial to maintain accurate and timely records. Board materials were also not thoroughly completed and lacked critical information, without Board visibility or knowledge.</p>	<p>We recommend Board meeting minutes be consistently prepared and approved by the Board, according to the established board schedule. Additionally, establish a process to ensure that all key items submitted for inclusion in the Board packets are properly reconciled to the agenda, and are not omitted without proper communication.</p>
<p><b>4. <u>Policies and Procedures</u></b>          We noted several of the Board policies reviewed during the scope of the assessment are dated (or reflected “revised” dates) that are over 10 years. There are also instances where Board Policies and District policies are not aligned.</p> <p>For instance, there appeared to be a conflict regarding approval of emergency agreements between the Board Policy and the Procurement Manual. The Board policy notes all emergency agreements are to be submitted by</p>	<p>We recommend the District evaluate and update its Board Policies, as necessary. Additionally, the District should reconcile the Board Policies to its various District policies and procedures to ensure alignment with the Board Policies.</p> <p>A review and assessment of applicable Board Policies and district procedures</p>

Observation	Recommendation
<p>the Superintendent to the Board for approval, but the language is not clear whether it is to be submitted before executing the contract. The Procurement Manual notes the Superintendent is to approve emergency agreements and agreements greater than \$50,000 must be approved by the Board. However, the Procurement Manual does not specifically note that emergency purchases under \$50,000 must be approved by the Board. In practice, the District did not submit emergency purchases under \$50,000 to the Board for approval during the Superintendent’s tenure.</p>	<p>may be performed as part of individual internal audit engagements.</p>
<p><b>5. <u>HR Policies and Procedures</u></b>        During our assessment, we noted there were no policies and procedures (or there were gaps in the policies and procedures) addressing approval of pay increases, interim roles, relocation expenses, retroactive pay, remote work, and time keeping regarding ability to swipe badges to clock in and out.</p>	<p>We recommend the District assess, update, and/or develop policies and procedures governing approval of pay increases, interim roles, relocation expenses, and retroactive pay. The procedures should include requirements to obtain approval of key decisions and payroll changes in writing prior to completing the change. Additionally, policies should be developed for remote work arrangements and timekeeping requirements when employees are not able to swipe badges to clock in and out.</p>
<p><b>6. <u>Credit Card Monthly Cycle Limits</u></b>        The Office of the Superintendent department card exceeded the \$5,000 credit limit on two monthly credit card cycles.</p> <ul style="list-style-type: none"> <li>• January 2024 - \$5,027.34</li> <li>• April 2024 - \$14,995.04</li> </ul> <p>Saint Louis Public Schools Purchasing Card Guidelines and Procedure Manual, Section 10, Purchasing Card Guidelines: Cards have a default limit per monthly cycle which has been established based on the type of Cardholder usage. A written request by the Business Representative to the Chief Financial Officer for an alternate credit limit will be required for consideration and approval. In signing the agreement, the Cardholder is agreeing to the standard credit limit and to responsibility for ensuring that transactional activity does not exceed the school or department’s fiscal year budget availability for said expenses. The Cardholder can check with their Business Representative for allowable dollar limits for each expense.</p>	<p>We recommend the District assess the policy regarding the monthly card limits to determine whether a hard limit or a review process for amounts over the credit limit should be implemented. Additionally, the District may assess whether the credit limit should be adjusted.</p>

Observation	Recommendation
<p><b>7. <u>Credit Card Policy and Procedure Conflicts – Acceptable Purchases</u></b>            We noted conflicts in acceptable credit card purchases between the purchasing card guidelines procedure manual and the procurement/purchasing manual:</p> <ul style="list-style-type: none"> <li>• Saint Louis Public Schools Purchasing Card Guidelines and Procedure Manual, Section 12, Usage and Restrictions,               <ul style="list-style-type: none"> <li>○ This section outlines examples of purchases that <b><u>should not</u></b> be made using the purchasing card of which includes transportation (e.g., air, taxi, shuttle), parking, and hotel (room and tax only – no incidentals)</li> </ul> </li> <li>• Saint Louis Public Schools Procurement/Purchasing Manual, Procurement Cards Section,               <ul style="list-style-type: none"> <li>○ Authorized District employees and Board of Education members <b><u>may use credit cards</u></b> or purchasing cards issued to the district to make purchases for the District or <b><u>pay for reasonable travel expenses incurred when performing job duties.</u></b></li> </ul> </li> </ul>	<p>We recommend the District reconcile the policies and procedures to resolve any conflicts to ensure consistency and make updates, as necessary.</p>
<p><b>8. <u>Policy and Procedure Conflicts - Travel Purchases</u></b>            We noted conflicts in allowable travel purchases between the St. Louis Board of Education administrative regulations and the travel policy. The administrative regulations specify travel expenses are covered only for employees. However, the travel policy extends this coverage to both employees and Board Members, allowing reimbursement for travel expenses incurred by Board Members while participating in educational activities that benefit the District.</p> <ul style="list-style-type: none"> <li>• Saint Louis Public Schools Board Administrative Regulations, Policy 4251 - Guidelines Governing Travel for Official School Business, Conferences, Conventions, etc.               <ul style="list-style-type: none"> <li>○ <b><u>Covered Expenditures:</u></b> When <b><u>any employee</u></b> of the Board of Education is authorized to travel outside of the metropolitan area on official business, he/she shall be allowed transportation costs, registration costs, the actual cost of lodging and a maximum per diem as detailed in the Administrative Guidelines Governing Travel Expenses.</li> </ul> </li> <li>• Saint Louis Public Schools Travel Policy, General Policy Information section,               <ul style="list-style-type: none"> <li>○ This policy applies to <b><u>all employees and Board Members</u></b> to conferences, conventions, and</li> </ul> </li> </ul>	<p>We recommend the District reconcile the policies and procedures to resolve any conflicts to ensure consistency and make updates, as necessary.</p>

Observation	Recommendation
<p>travel undertaken for execution of District Business.</p>	
<p><b>9. <u>Credit Card Receipt and Documentation Retention</u></b>            There is no existing policy or guideline specifying how long detailed receipts and supporting documentation must be retained.</p> <p>Each department assigned a credit card is responsible for maintaining electronic or paper receipts. However, practices for retaining receipts vary widely across departments, with most lacking complete documentation for credit card transactions for the department credit cards that were in scope.</p>	<p>We recommend the District implement or update and communicate the policy to all District workers regarding retention of credit card receipts. (Note: If the District has other document retention policies currently in place, particularly regarding financial records, those policies may apply to the credit card receipts).</p> <p>A long-term solution may be implementation of an expense reporting application whereby receipts can be scanned, reviewed for approval, and uploaded for reconciliation and retention.</p>
<p><b>10. <u>Cardholder Agreement &amp; Purchasing Card Training</u></b>            We noted the following:</p> <ul style="list-style-type: none"> <li>• 5 of 5 cardholder users did not complete a cardholder agreement, signifying agreement to the terms and conditions of the Cardholder Agreement.</li> <li>• 5 of 5 cardholder users did not complete training before receiving a Purchasing Card.</li> </ul> <p>Note: The Student Support Services Department Card had two designated cardholders.</p> <p>Saint Louis Public Schools Purchasing Card Guidelines and Procedure Manual, Section 8, Application Process - Online Training:</p> <ul style="list-style-type: none"> <li>• <b><u>Cardholder Agreement:</u></b> A Cardholder Agreement is required from each cardholder applicant. As part of the application process, an applicant will be expected to read it in full. By submitting the Cardholder Agreement, the Cardholder Applicant and Business Representative agree to the terms and conditions of the Agreement.</li> <li>• <b><u>Online Training:</u></b> All prospective Cardholders must complete online training to be eligible to receive a Purchasing Card.</li> </ul>	<p>We recommend the District ensure all employees that are issued a credit card or that are employees in departments that are issued credit cards, complete a cardholder agreement and training.</p>
<p><b>11. <u>Communication and Culture</u></b>            Interviews with staff and Chiefs in Finance, HR, and Operations revealed a strong emphasis on hierarchy and authority within the District. As the highest-ranking</p>	<p>Please see the recommendations for the Other Observations and Recommendations #1, 2, 4 and 5, noted above”.</p>

Observation	Recommendation
<p>official, the Superintendent exercised significant authority, issuing directives to department leaders and staff, often verbally. Staff reported that critical changes—such as payroll adjustments, remote work approvals, and time entry—were frequently made without accompanying documentation from the Superintendent. Chiefs noted that most decisions were communicated during meetings with the Superintendent, and they expressed concerns about potential repercussions or retaliation for resisting directives from the Superintendent, Deputy Superintendent, or Chief of Staff.</p> <p>Chiefs and staff reported that the Superintendent restricted their communication with the Board. A directive required all Board-related communications to be routed to the Superintendent within 10 minutes. Emails from Board members addressing Chiefs were redirected to the Superintendent, who personally handled the inquiries.</p> <p>The CFO highlighted a specific instance of restricted communication. Previously, the CFO had attended weekly meetings with Board leadership and the prior Interim Superintendent. However, under the current Superintendent, the CFO was excluded from these meetings and instead contacted directly by the Superintendent to explain financial matters to Board leadership. Upon further discussions, Board leadership indicated that they had been informed by the Superintendent that the CFO could not attend due to scheduling conflicts, though the CFO believed Board leadership was aware of her exclusion from the meeting invitations.</p> <p>Historically, the Chief of HR also participated in closed session Board meetings alongside the Superintendent. This practice ended in late 2023, during the Superintendent’s tenure. Subsequently, Chiefs of HR were only allowed to attend Board meetings to present specific HR and legal matters, limiting their visibility into what was shared with the Board. While HR leaders remained responsible for presenting new hires to the Board, the Superintendent controlled which names were submitted.</p>	<p>Additionally, we recommend the District:</p> <ul style="list-style-type: none"> <li>• Evaluate its whistleblower policy and hotline process and make any updates.</li> <li>• Ensure District employees are educated on the hotline purpose and reporting process.</li> <li>• Require that all District employees complete fraud awareness training.</li> <li>• Perform a fraud risk assessment.</li> <li>• The Board address communication protocols with District leadership.</li> </ul>