



**FY25 State Audit Report# 2025-045**  
**Procurement, Hiring and Budgetary Practices**  
**Corrective Action Plan**  
**August 2025**



Kimberly Johnson, Chief Financial Officer  
August 26, 2025



# Agenda



- SLPS Strategic Values
- Portrait of a Graduate
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- Scope and Methodology
- Internal Controls
- Summary of Audit Findings
- Audit Findings with State Recommendations
- Auditee's Corrective Action Matrix and Dashboards
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# SLPS Strategic Values



Highly Effective  
Educators and  
Leaders



Authentic Family  
and Community  
Partnership



Equitable and  
Multiple Sources  
of Data



Joyful and  
Engaged  
Students



Personalized  
Supports and  
Innovative Pathways



College and  
Career Ready  
Critical Thinkers

***Values Across Our Student Goals***



# Portrait of a Graduate



College & Career Ready

Change Agent

Critical Thinker

Communicator

Competent

Culturally Aware

Collaborator



# Background



- In August 2024, City of St. Louis Mayor Tishaura Jones sent a letter to the State Auditor's Office (SAO) requesting an audit of the St. Louis Public Schools (SLPS).
- In addition, the SAO received numerous phone calls, letters, news articles, and other communications outlining concerns about the district and detailing questionable practices by the district under former Superintendent Dr. Keisha Scarlett.
- The State Auditor determined an audit was warranted and announced an audit under the authority granted in Section 29.205, RSMo.



# Scope and Methodology

- The scope of the State Audit timeframe was July 1, 2023, through July 31, 2024.
- The methodology used included the following:
  - **Review** of Board meeting minutes, written policies and procedures, financial records, and other pertinent documents;
  - **Gathering** information for procurement, hiring, and budgetary practices through discussions with district personnel, as well as certain external parties; and
  - **Performing** sample testing using judgmental and random selection, as appropriate. The results of our sample testing cannot be projected to the entire populations from which the test items were selected.
- State Auditors reviewed the Management Report: St. Louis Public Management Report prepared by Armanino CPA LLP,<sup>1</sup>
  - Issued December 9, 2024.
  - Minimize duplication of effort; areas previously identified were not reported unless additional issues or evidence was noted.





# Internal Controls



- State Auditors reviewed internal controls that were significant to the audit objectives and planned and performed procedures to assess those internal control.
- Understanding of legal provisions that were significant within the context of the audit objectives, including assessments of risks associated with illegal acts (fraud, waste and abuse), violations of applicable contracts, grant agreements.
- Based on the risk assessment, State Auditors designed and performed procedures to provide reasonable assurance of detecting instances of noncompliance.
  - (1) Evaluate the district's internal control system,
  - (2) Compliance with district and Board procedures and statutory requirements,
  - (3) Review the economy and efficiency of certain other management practices and procedures, and
  - (4) Review the budgetary plans, procedures, and processes.



# Summary of Audit Findings

- The State Auditors gave an overall rating of Poor and considered the following areas to have deficiencies:
- 2025-001- Financial Planning and Budget
  - 1.1 Long Term Planning
  - 1.2 Budget Review and Monitoring
  - 1.3 Public Information
- 2025-002-Disbursements
  - 2.1 Credit Card Purchases
  - 2.2 Reimbursement for Moving Expenses
  - 2.3 Excessive Credit Limits
  - 2.4 Late Fees





# Summary of Audit Findings (cont.)

- 2025-003- Procurement
  - 3.1 Emergency and Sole Source Purchases
  - 3.2 Sealed Bids and Proposals
  - 3.3 Approvals and Quotes
- 2025-004- Payroll and Personnel Records
  - 4.1 Employee Attendance Incentive
  - 4.2 Salaries
  - 4.3 Personnel Records



# Finding 2025-001-Financial Planning and Budget Process



- The district's ***long-term financial plan is out of date*** and ***incomplete*** and does not show ***clear evidence*** of planning for future years.
- Additionally, ***continued deficit spending*** will result unassigned general operating fund balances falling below:
  - The Board's own benchmark,
  - Fall below 30% in fiscal year 2027
  - Fall below 20% in fiscal year 2028.
  - Fall below 3% in fiscal year 2020.
- The Board ***does not receive budget information*** in sufficient time to evaluate the information prior to approving the annual proposed budget, ***does not monitor*** the budget during the year, and ***does not always amend*** the budget as required.
- Several prior years, the ***actual expenditure exceeded the budgeted amounts*** resulting in some district budget documents ***being inaccurate*** and some monthly financial reports were ***not accessible*** to the public.



# Finding 2025-001-Financial Planning and Budget Process

## Areas of Findings:

- Long Term Planning (Planning Tool, Deficit Spending)
- Budget review and Monitoring
- Public Information

## ***State Recommendation:*** The Board of Education:

- 1.1 Maintain a **long-term financial plan** that includes the district's strategy for reversing its practice of unsustainable deficit spending before fund balances reach critically low levels and ensure it is **reviewed and updated** at least annually.
- 1.2 Ensure **budget information is sufficiently evaluated** prior to passing the budget and develop procedures to ensure budget amounts are not exceeded including obtaining and **reviewing detailed reports to adequately** monitor actual amounts compared to budgeted amounts. The Board should timely **amend the budget**, as needed.
- 1.3 Ensure **budget** documents are **accurate**, and financial information is **accessible** to the public.



# Auditee's Corrective Action Matrix 2025-001

- SLPS is committed to long-term financial planning and has a draft long-term financial plan that will address several challenges, leading to opportunities that will prevent the fund balances from reaching critically low levels.
- Financial Policies (DB-5, DIAA) have been developed (February 2025) and have been implemented; with continual training in process on these financial policies throughout the district.
- The District will ensure that all budget documents are accurate, complete, and accessible to the public. Ensuring budgets are reviewed and updated at least annually.
- Corrective actions will improve the reliability of financial reporting, strengthen internal controls, and enhance transparency so stakeholders can trust the information provided.
- The Key Areas for Focus:
  - 1.1 Development of a Five-Year Strategic Financial and Capital Plan.
  - 1.2 Budget Review and Monitoring
  - 1.3 Public Information



# Auditee's Corrective Action Matrix 2025-001

Metrics/Tasks Descriptions (*Anticipated Completion Date*): April 2026

## 1.1 Pre-Adoption Budget Evaluation

- The District will follow its **budget calendar**, which is designed to allow **sufficient time for stakeholder review and board approval** prior to the start of each fiscal year. This calendar includes dedicated periods for input from department leaders, program managers, and community stakeholders.
- The Chief Financial Officer or designee will review and sign memo certifying that the proposed budget accurately reflects complete and traceable financial data to the Superintendent before submission to the Board for approval.

## 1.2 Ongoing Monitoring

- The Finance Department will produce monthly budget-to-actual variance reports for all funds and major functions.
- Reports will be distributed to the Finance Director, Controller, Chief Financial Officer, Superintendent, and Board members by the monthly Board work session.
- Variances greater than 5% or exceeding \$50,000 will be flagged with narrative explanations and corrective action steps.
- A *Quarterly Budget Review* will be scheduled for the Board, where Budget amendments will be proposed when projected variances are indicated. Urgent amendments outside the quarterly cycle will be placed on the next Board agenda to ensure timely action.
- All budget documents will undergo a four-level review for accuracy (Budget Manager, Director, Controller, Chief Financial Officer) before Board approval or public posting.

## 1.3 Public Access

- The final adopted budget and amendments will be posted on the District's website within 7 business days of Board approval.



# Auditee's Corrective Action Dash Board 2025-001

## Financial Planning & Budget – Pre-Adoption, Monitoring, & Public Access

Area / Metric	Goal & Implementation Steps	Responsible	Review Frequency	Status
Pre-Adoption Budget Evaluation	Follow budget calendar; ensure sufficient stakeholder input; CFO/designee certifies budget completeness before submission to Board	Chief Financial Officer, Budget Manager	Annual (prior to fiscal year)	●
Ongoing Monitoring – Monthly Variance Reports	Produce monthly budget-to-actual reports for all funds/major functions; flag variances >5% or >\$50,000 with explanations & corrective actions	Budget Manager, Finance Director, Controller	Monthly	●
Ongoing Monitoring – Quarterly Review & Amendments	Conduct quarterly Board budget review; propose amendments for projected variances; urgent amendments placed on next Board agenda	CFO, Budget Manager, Superintendent	Quarterly / As-needed	●
Budget Accuracy Review	Ensure four-level review of all budget documents (Budget Manager → Director → Controller → CFO) before Board approval or public posting	Budget Manager, Director, Controller, CFO	Each budget cycle / amendments	●
Public Access	Post adopted budget and amendments on District website within 7 business days of Board approval	CFO, Budget Manager, Communications Director	Upon Board approval	●





# Finding 2024-002 Disbursements

- District personnel ***purchased items*** that were ***questionable, unreasonable***, and/or did not provide an educational benefit; and district controls were insufficient to prevent such purchases.
- Additionally, district personnel ***did not*** review credit limits for reasonableness, reimbursed employees for moving expenses that were not adequately supported and did not always pay the district's credit card bill timely, resulting in late fees.
- **Areas of Findings:** This finding focuses on four key areas under Disbursements. They are as follows:
  - 2.1 Credit Card Purchases
  - 2.2 Reimbursement for moving Expenses.
  - 2.3 Excessive Credit Limits
  - 2.4 Late Fees
- **State Recommendation:** The Board of Education:
  - 2.1 Ensure **all disbursements** are necessary and prudent use of district funds. In addition, the Board should ensure **supporting documentation is retained** in compliance with established guidance and policies and ensure sales tax is not included on district purchases.
  - 2.2 Ensure all **expense reimbursements** are in accordance with employment contracts and reimbursement amounts are accurately calculated.
  - 2.3 Establish a **policy to periodically review and adjust credit card limits** to reasonable amounts based on need and periodically evaluate the need for each card issued.
  - 2.4 **Implement procedures** to ensure bills are paid timely.



## ***Auditee's Corrective Actions Plan 2025-002***

- The district SLPS is committed to ensuring that all disbursements are a necessary and prudent use of district funds.
- SLPS will continue to ensure that all staff and the Board of Education will continue to receive updated training on financial policies, receive training from the Missouri School Board Association.
- The district will ensure that all documentation is retained, sales tax is not included on district purchases, and all expenses for reimbursement are in accordance with employment contracts and are accurately calculated, and ensuring bills are paid timely through monthly procedures and reconciliations.
- Financial Policies (DJF-5,DJB, DK-5) have been developed (February 2025) and have been implemented; with continual training in process on these financial policies throughout the district.



# Auditee's Corrective Action Matrix 2025-002

Metric Task Description (*Anticipated Completion Date*): April 2026



## 2.1 – Ensure Disbursements Are Necessary, Prudent, and Supported

- Checklist Completion Rate: Measure the percentage of disbursements processed with a fully completed pre-approval checklist (goal: 100%).
- Two-Tier Approval Compliance: Track the percentage of high-value disbursements (above threshold) reviewed and approved by both Finance Manager and CFO/designee before payment (goal: 100%).
- Documentation Audit Results: Record the number of disbursement files passing quarterly internal audits for completeness of supporting documentation (goal: ≥95% compliance).

## 2.2 – Ensure Accuracy of Expense Reimbursements

- From Compliance: Monitor the percentage of reimbursement requests submitted using standardized forms with required receipts and documentation (goal: 100%).
- Verification Accuracy: Track the percentage of reimbursements reviewed against employment contracts and Board-approved travel policies that have no calculation errors (goal: ≥98%).
- Spot Check Results: Record findings from quarterly random audits of reimbursements, including errors or policy violations, and aim for corrective action within 30 days (goal: 0 repeat errors).



# Auditee's Corrective Action Matrix 2025-002

## 2.3 – Establish Policy on Credit Card Usage and Limits

- SOP Implementation: Measure the percentage of active cardholders trained and adhering to the SOP, including assignment criteria, responsibilities, and allowable expenses (goal: 100%).
- Limit and Usage Review: Track completion of periodic credit card limit reviews and annual evaluations of card necessity, with documented adjustments (goal: 100%).
- Reconciliation & Internal Review Compliance: Monitor the percentage of monthly reconciliations completed on time and reviewed by a supervisor independent of the transaction; track semi-annual internal review completion and findings addressed (goal: 100% compliance).

## 2.4 – Ensure Timely Payment of Bills

- Payment Calendar Adherence: Track the percentage of invoices processed according to the established bill payment calendar and within vendor terms (goal: ≥98% on time).
- AP Workflow Usage: Measure the percentage of bills processed through the automated workflow system with reminder alerts properly documented (goal: 100%).
- Payment Performance Reviews: Track semi-annual vendor payment performance (on-time vs. late), including corrective actions taken for past due payments, with the goal of reducing past due payments to <2% of total invoices.



# Auditee's Corrective Action Dash Board 2025-002

## Finance Dashboard – Credit Cards & Bill Payments

Area / Metric	Goal & Implementation Steps	Responsible	Review Frequency	Status
Credit Card SOP Training	100% trained; conduct quarterly training, quiz, and collect signed acknowledgment forms	Finance Director, AP Manager	Quarterly	●
Credit Card Limit & Usage Review	100% reviewed; flag low-usage cards monthly; Finance Director approves adjustments	AP Supervisor, Finance Director	Semi-annual	●
Monthly Reconciliation Compliance	100% reconciliations completed on time & independently reviewed; semi-annual internal audit	Dept. Supervisors, Internal Audit / Finance Analyst	Monthly / Semi-annual	●
Invoice Payment Calendar Adherence	≥98% invoices paid on time; maintain AP calendar & track late invoices	AP Manager	Monthly	●
AP Workflow Usage	100% invoices processed through workflow; approvers respond to alerts within 3 days	AP Supervisor, Finance Systems Admin	Monthly	●
Vendor Payment Performance	Late payments <2% of total invoices; generate semi-annual vendor payment scorecard; implement corrective actions	Finance Analyst, CFO	Semi-annual	●



# Finding 2024-003 Procurement

- District procurement procedures and practices did not comply with Board policy and state law. Documentation of the procurement and selection process is necessary to demonstrate compliance with district and Board policies.
- The district did not competitively select some vendors as required by district policies and state law. The District did not retain adequate supporting documentation or obtain quotes, Board approval, and contracts when required.
- Additionally, clear, and detailed written contracts are necessary to ensure all parties are aware of their duties and responsibilities and prevent misunderstandings.

## The Key Areas of Findings:

- 3.1 Emergency and Sole Source Purchases
- 3.2 Sealed Bids and Proposals
- 3.3 Approvals and Quotes

## **State Recommendation:** The Board of Education:

- 3.1 Ensure district personnel **procure goods and services** in accordance with **Board and district policies** and state law and maintain documentation to support procurement decisions to demonstrate compliance with policies and statute.





# ***Auditee's Corrective Actions Plan 2025-003***



- SLPS is committed to ensuring district personnel procure goods and services in accordance with state laws, statutes, and Board Policies.
- Financial Policies (DJF-5) have been developed (February 2025) and have been implemented; with continual training in process on these financial policies throughout the district.
- Implementation of these improvements is essential for achieving operational transparency, maintaining public trust, and safeguarding district resources.
- With DESE's guidance, we are confident we can build a modernized, compliant, and efficient procurement framework.



# ***Auditee's Corrective Action Matrix 2025-003***

**Metric Task Description (Anticipated Completion Date): April 2026**

## **3.1 – Development of Standard Operating Procedures (SOPs)**

- SOP Completion Rate: Track the percentage of procurement and contracting SOPs fully drafted, reviewed by legal counsel, and approved by the Board (goal: 100%).
- Competitive Procurement Compliance: Measure the percentage of eligible procurements using competitive vendor selection procedures as defined in the new SOPs (goal: ≥95%).
- Documentation Audit: Conduct quarterly reviews of contract files to ensure inclusion of all required supporting documentation (scope of work, justification, conflict-of-interest disclosures, performance standards) and track compliance rate (goal: ≥95%).

## **3.2 – Establishment of Workflow Processes for Contract and Purchase Oversight**

- Separation of Duties Compliance: Monitor the percentage of contracts reviewed and approved according to defined roles in the workflow process (goal: 100%).
- Centralized Contract Tracking: Track the percentage of contracts entered the centralized system with accurate metadata (renewal dates, approval status, compliance requirements) (goal: 100%).
- Purchase Card & Travel Monitoring: Measure compliance with expenditure thresholds, allowable categories, and documentation standards for all purchase card and travel transactions, verified through monthly reports (goal: ≥95%).



# ***Auditee's Corrective Action Matrix 2025-003***

## **3.3 – Improve Capital Asset Management**

- Asset Tracking Accuracy: Monitor the percentage of capital assets ( $\geq \$5,000$ ) recorded in the system with complete lifecycle and inventory information (goal: 100%).
- Integration with Financial Systems: Track successful integration of capital asset data with the District's financial system for reconciliation and audit purposes (goal: 100%).
- Annual Verification Audit: Conduct annual asset verification, document reconciliations against financial records, and track discrepancies resolved within 30 days (goal: 100% completed and reconciled).

## **3.4 – Comprehensive Procurement Training Program**

- Training Completion Rate: Track the percentage of procurement, finance, and school-based staff completing initial and refresher training sessions (goal: 100%).
- Legal & Compliance Knowledge Assessment: Measure results of post-training assessments or quizzes to ensure understanding of state/federal procurement laws and SOPs (goal:  $\geq 95\%$  passing).
- Technical Assistance Implementation: Track the number of DESE-supported workshops completed and evaluate staff adoption of recommended best practices in procurement and contracting (goal: 100% implementation of key recommendations).



# Auditee's Corrective Action Dash Board 2025-003

## Procurement & Contract Dashboard – SOPs, Compliance, Capital Assets & Training

Area / Metric	Goal & Implementation Steps	Responsible	Review Frequency	Status
SOP Completion Rate (Procurement)	100% SOPs drafted, reviewed by Legal Counsel, Board-approved; store in central repository	Procurement Director, Legal Counsel, Board Secretary	Annual	
Competitive Procurement Compliance	≥95% eligible procurements using competitive vendor selection; flag non-compliant procurements; report quarterly	Procurement Manager, Compliance Officer	Monthly	
Documentation Audit (Contracts)	≥95% contract files include all required documentation; quarterly audit; notify departments of missing items; track corrective actions	Contract Administrator, Procurement Director	Quarterly	
Separation of Duties Compliance	100% contracts reviewed and approved per workflow; monitor reports weekly; correct non-compliant approvals	Procurement Manager, Dept. Heads	Monthly	
Centralized Contract Tracking	100% contracts entered with accurate metadata; reconcile monthly; correct missing data	Contract Administrator, Procurement Director	Monthly	
Purchase Card & Travel Monitoring	≥95% compliance with thresholds and documentation; generate monthly reports; flag exceptions; follow up	AP Supervisor, Compliance Officer	Monthly	



# Finding 2024-004 Payroll and Personnel Records

- District payroll and personnel record procedures need significant improvement.
- District personnel did not always update salary schedules and ensure payroll entries agreed with Board-approved salary schedules.
- District need to ensure employees are compensated appropriately, payroll expenditure must be accurate, properly supported, and in accordance with Board-approved salary pay schedules and/or employment contracts or letters.

## Areas of Findings:

- 4.1 Employee Attendance Incentive
- 4.2 Salaries
- 4.3 Personnel Records (HR Corrective Action)



# Finding 2024-004 Payroll and Personnel Records



**State Recommendation:** The Board of Education:

- 4.1 Ensure future employee **incentives comply** with the Missouri Constitution.
- 4.2 Ensure **all payments to employees are accurate** and paid in accordance with Board-approved salary schedules. In addition, ensure all salary schedules are kept up to date.
- 4.3 Ensure **background checks** are performed and retained; ensure employment records are retained and maintained in a secure manner that protects them from unauthorized access and environmental risks, in accordance with state law; and **ensure employment records** are complete for all employees. Additionally, ensure the district is following the Board policy for storage of personnel records.





# Auditee's Corrective Action Plan 2025-005



- SLPS is committed to ensuring that future employee incentives comply with the Missouri Constitution. SLPS is committed to ensuring all payments to employees are accurate and paid in accordance with Board-approved salary schedules. Key focus areas are as follows:
  - 4.1 – Ensure Employee Incentives Comply with Missouri Law
  - 4.2 – Ensure Accurate Payments in Accordance with Board-Approved Salary Schedules



# ***Auditee's Corrective Action Matrix 2025-004***

**Metric Task Description (Anticipated Completion Date): April 2026**

## **4.1 – Employee Incentives Compliance**

1. Percentage of incentive programs reviewed and approved by legal counsel prior to implementation (goal: 100%).
2. Percentage of HR and Payroll staff completing targeted training on incentive structuring and legal requirements (goal: 100%).
3. Annual review completed for all incentive programs, with documented compliance adjustments (goal: 100%).

## **4.2 – Accurate Payments per Salary Schedule**

1. Percentage of payroll runs verified against Board-approved salary schedules before processing (goal: 100%).
2. Percentage of payroll adjustments (promotions, new hires, etc.) signed off by HR and Payroll prior to processing (goal: 100%).
3. Quarterly payroll audits completed, with discrepancies resolved within 30 days (goal: 100%).



# Auditee's Corrective Action Dash Board 2025-004

## Payroll Dashboard – Employee Incentives & Accurate Salary Payments

Area / Metric	Goal & Implementation Steps	Responsible	Review Frequency	Status
Employee Incentives Compliance – Legal Review	100% of incentive programs reviewed and approved by legal counsel prior to implementation	HR Director, Legal Counsel	Before program launch	●
Employee Incentives Compliance – Staff Training	100% of HR and Payroll staff complete targeted training on incentive structuring and legal requirements	HR Director, Payroll Manager	Annual / As-needed for updates	●
Employee Incentives Compliance – Annual Review	100% of incentive programs reviewed annually; compliance adjustments documented	HR Director, Payroll Manager	Annual	●
Accurate Payments per Salary Schedule – Payroll Run Verification	100% of payroll runs verified against Board-approved salary schedules before processing	Payroll Manager, HR Director	Each payroll cycle	●
Accurate Payments per Salary Schedule – Payroll Adjustments	100% of promotions, new hires, and other adjustments signed off by HR and Payroll prior to processing	Payroll Manager, HR Director	Each payroll cycle	●
Accurate Payments per Salary Schedule – Quarterly Payroll Audit	100% of payroll audits completed quarterly; discrepancies resolved within 30 days	Payroll Manager, Internal Audit / HR	Quarterly	●



# Future Steps



- Review and Approval of the following:
  - SLPS State Corrective Action Plan with Detailed Matrix will be presented to BOE on August 26, 2025.
- Development of Monitoring and Performance Testing Compliance Schedule
  - CFO will be working with Dr. Hubbard (Director of Compliance & Internal Auditor)
- Weekly Audit Meetings to Review State Corrective Actions and progress of implementation (Internal Finance Team)
- Monthly Meetings with Superintendent on Status of Corrective Actions



# Impact Statement from the Chief Financial Officer

As Chief Financial Officer, I am **committed** to ensuring that every finding from the recent State Audit is addressed with **transparency, accountability, and urgency**.

Our goal is not only to **correct deficiencies** but also to **strengthen** our internal processes so that the district consistently operates with **fiscal integrity**.

The community can be assured that we are taking **decisive action** to demonstrate that district funds are being **managed responsibly**, in full **compliance** with state laws, policies, and regulations.

**Maintaining public trust** is central to our mission, and we will continue to uphold the highest standards of financial stewardship to support the **success** of our students and schools.





# QUESTIONS?

