



February 9, 2023

USD 417 - Morris County
17 Wood Street
Council Grove, KS 66846

In planning and performing our audit of the basic financial statement of USD 417 - Morris County (the District) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, the Kansas Municipal Audit and Accounting Guide (KMAAG) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We consider the following deficiencies in the District's internal control to be material weaknesses:

- Management Override of Controls
- Ineffective Oversight by Those Charged with Governance (Board)

Management override of controls exists when management circumvents the control structure that has been put in place. One example of this is the possible failure of the District to adhere to the bid provisions of K.S.A. 72-1151. Although this requirement is part of the Kansas Statutes that govern school districts, and it is part of the District's policies that are available online, there were purchases made that did not appear to be in accordance with this statute. The Board's opinion is that there was no noncompliance related to bid provisions; however, we disagree.

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Based on our observations throughout the audit, we believe there is ineffective oversight by those charged with governance related to approval of expenditures - payment of bills by the District. The Board approves a consent agenda that includes the words "payment of bills". However, there is no listing of bills provided to the Board and no total for those bills being paid. Although the Board packet contains a list of checks, most of those checks have already been processed and mailed out by the date of the meeting. Therefore, the Board is not actually "approving" the expenditures prior to payment.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

Varyney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas