

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

SUPPLEMENTAL COMPLIANCE REPORT

OF

MERRILLVILLE COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Hilda Damianick Amy Tarr	07-01-13 to 02-07-16 02-08-16 to 06-30-17
Superintendent of Schools	Mark Sperling (Vacant) Dr. Tony Lux Jeffery T. Studebaker	07-01-13 to 11-28-14 11-29-14 to 12-01-14 12-02-14 to 02-24-16 02-25-16 to 06-30-17
President of the School Board	Mark S. Lucas	07-01-13 to 12-31-16



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TO: THE OFFICIALS OF THE MERRILLVILLE COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Merrillville Community School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

May 26, 2016

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting that constitute material weaknesses.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to receipts and disbursements. One person was responsible for recording receipts and reconciling the bank accounts. Segregation of duties was not evident, nor was there adequate oversight and approval of the receipt transactions and the reports generated based on those transactions.

Salaried employees' contracts and hourly employees' pay were entered into the payroll system; however, evidence of a review or approval process was not provided. Hourly employees' biweekly pay information (hours worked, rate of pay, fund classification) was entered into the system by one individual and reviewed by another employee; however, the documentation of this review was not retained for audit.

When payroll withholding receipts were entered into the financial system, an open payable was created. The Open Payable Report was then used to create claims to be paid from the Payroll Clearing fund. The Open Payable Report was not reconciled with the disbursement from the payroll system to ensure that all disbursements from the payroll system were entered into the financial system.

The School Corporation entered claims into the financial software, generated the checks, and mailed the checks prior to Board approval. All vendor disbursements were paid prior to being approved by the Treasurer and the School Board.

2. **Preparing Financial Statement:** The School Corporation had not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements.

The School Corporation reported semiannually to the Indiana Department of Education on the Financial Activity Report (School Form 9), which included the financial activity of all funds and is the basis for the financial statement. The School Corporation indicated that the financial system was closed each month; however, the financial system allowed transfers to be backdated and to be made after the submission of the School Form 9 to the Indiana Department of Education. This caused several discrepancies between the School Corporation's records and the financial statement.

3. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal controls had not been conducted. Additionally, the School Corporation had no process to identify or communicate corrective actions to improve controls.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would prevent, or detect and correct, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, that is part of this report.

FINDING 2015-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: 2013/2014-4600, 2014/2015-4600

Pass-Through Entity: Indiana Department of Education

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation operated a Food Service program that was the recipient of federal funding from the School Breakfast Program, National School Lunch Program, and Summer Food Service Program. All transactions related to the Food Service Program were recorded in the School Lunch fund. This includes, but is not limited to, salaries and benefits, food purchases, supplies, and all revenue generated by the Food Service program.

Context

Management of the School Corporation had not established an effective internal control system, to ensure that only allowable and adequately documented disbursements are paid with the Food Service program funds. An effective system of controls indicating the Food Service Director's review of accounts payable vouchers was not evident. In addition, wages were paid to various food service employees working in the food service central office; however, these employees did not maintain personnel activity reports to support the distribution of their salary from the School Lunch Fund. There was no oversight or review to ensure that proper documentation was maintained for salaries paid for food service for employees who also worked in a non-federal activity.

The School Lunch fund was used for the payment of wages of food service employees. Funds related to food service were also used to pay a percentage of an administrative corporation employee's salary for fiscal years 2013-2014 and 2014-2015. The administrative employee did not maintain personnel activity reports to support the distribution of a portion of their salary to the School Lunch fund. The amount of the administrative salary charged to the federal program without proper supporting documentation totaled \$54,329 and is considered a questioned cost.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

OMB Circular A-87, Attachment B, Section 8(h), states in part:

". . . (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and non-Federal award,
- (c) An indirect cost activity and a direct cost activity . . .

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material compliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs identified totaled \$54,329.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

We also recommended that the School Corporation's management comply with the Allowable Costs/ Cost Principles requirements of the programs.

Views of Responsible Officials

For the views of responsible officials, refer to the Correction Action Plan, which is part of this report.

FINDING 2015-003 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Years: 2013/2014-4600, 2014/2015-4600
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The School Corporation did not have policies or procedures in place to ensure Paid Lunch Equity requirements were properly calculated and considered. The School Corporation did not retain its paid lunch equity calculations documentation; therefore, it could not be determined if they were in compliance with the Paid Lunch Equity requirements.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in §210.14(e) . . ."

Cause

Management had not developed a system of internal controls that segregated key functions or that ensured the maintenance of proper supporting documentation.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

We also recommended that the School Corporation's management comply with the Special Tests and Provisions - Paid Lunch Equity requirements of the programs.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

FINDING 2015-004 - CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: 2013/2014-4600, 2014/2015-4600

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Program Income, Reporting, and Special Tests and Provisions - School Food Accounts.

Context

The School Corporation had a lack of internal controls throughout the audit period.

Activities Allowed or Unallowed

Management of the School Corporation had not established an effective internal control system, to ensure that only allowable and adequately documented disbursements are paid with the Food Service Program funds. An effective system of controls indicating the Food Service Director's review of accounts payable vouchers was not in evidence.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund's monthly cash balances are limited to the average expenditures for three months. An oversight or review process had not been established to document the monitoring of the cash balances.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Program Income and Special Tests and Provisions - School Food Accounts

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. An oversight or review process had not been established.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure correct reporting of the Verification Summary, Annual Financial Report, and monthly Sponsor Claims (claims for reimbursement). An oversight or review process had not been established.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also have allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-005 - TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 2012/2013-4600, 2013/2014-4600, 2014/2015-4600
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Eligibility, Level of Effort - Maintenance of Effort, Reporting, and Special Tests and Provisions - Comparability compliance requirements.

Context

Eligibility

There were no controls in place to ensure that the State of Indiana's pre-populated public and poverty enrollment reported on the Eligible Schools Summary page of the Title I application were reflective of the School Corporation's records. In addition, there were no controls in place to ensure that individual student eligibility determinations were assessed properly. An oversight or review process over the reported enrollment or individual eligibility reports had not been established.

Level of Effort - Maintenance of Effort

Maintenance of Effort calculations were based on the School Corporation's Financial Activity Reports (School Form 9), which were reported semiannually to the Indiana Department of Education and included the financial activity of all funds and was the basis for the financial statement. The School Corporation indicated that the financial system was closed each month; however, the financial system allowed transfers to be backdated and to be made after the submission of the School Form 9 to the Indiana Department of Education.

Reporting and Special Tests and Provisions - Comparability

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Final Expenditure Report, the State Per Pupil Expenditure Report (SPPE), or the Comparability Report were accurately prepared. One person was responsible for preparing and submitting each of the reports. There was no segregation of duties, such as an oversight, review, or approval process.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.



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Director, Diversity and
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Janis Qualizza
Athletic Director

Amy Beckham
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Joseph Bardeson
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Greg Griffith
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Colleen Hostetter
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CORRECTIVE ACTION PLAN

FINDING 2015-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Hilda Damianick
Contact Phone Number: (219) 650-5300

We concur with the findings.

Description of Corrective Action Plan: 1. The recording/posting of receipts and the bank reconciliation will be done by different people when possible. If not possible, then our staff member who posts the receipts will run a receipt report from the financial system and the receipt report will be reviewed by a second staff member.

Although we have had one staff member enter pay information into the system and had another person verify that information, the supporting documentation was not kept on file. Documentation will now be kept on file for auditing purpose.

The Payroll Claims Generated Report shows the payroll claims generated from the payroll system for the pay period. We will run a second report, Receipt Detail Report, to verify the withholdings receipted into the financial system for that pay period.

Vendor disbursements will be paid after being approved by the treasurer and the school board. If there are exceptions, the exceptions will be documented.

2. We found that there was a wrong setting in our financial software. The setting was corrected in our financial system and the corrected setting will prevent changes or transfers to be made after the submission of Form 9.

3. We will work on establishing procedures for internal controls.

Anticipated Completion Date:

August 1, 2016, for Corrective Action Plan #1.
July 1, 2016, for Corrective Action Plan #2.
Corrective Action Plan #3 is an on-going process; process will start by July 1, 2016.


Mark Lucas
School Board President
May 19, 2016


Hilda Damianick
Asst. Superintendent for Business
May 19, 2016



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CORRECTIVE ACTION PLAN

FINDING 2015-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Colleen R. Hostetler
Contact Phone Number: (219) 650-5300

We concur with this finding.

Description of Corrective Action Plan: On May 9, 2016, the central office employees from the Food Service Department started filling out time sheets. Time sheets are signed by the employee and approved by the director or designee.

As of July 1, 2015, the referenced Food Service Administrative salary was no longer charged to the food service program.

Anticipated Completion Date: Above procedures have been implemented.


Colleen R. Hostetler, Food Service Director

5-20-16
Date



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CORRECTIVE ACTION PLAN

FINDING 2015-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Colleen R. Hostetler
Contact Phone Number: (219) 650-5300

We concur with this finding.

Description of Corrective Action Plan: Documentation for the calculation of the paid lunch equity will be kept on file. This calculation will be reviewed by a second staff employee.

Anticipated Completion Date: Procedures will be put in place by August 1, 2016.
implemented.


Colleen R. Hostetler, Food Service Director

5-20-16
Date



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CORRECTIVE ACTION PLAN

FINDING 2015-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Colleen R. Hostetler
Contact Phone Number: (219) 650-5300

We concur with this finding.

Description of Corrective Action Plan: Activities Allowed: Accounts payable vouchers will be approved by the Food Service Director or designee before payments are made to vendors.

Cash Management: Procedures will be put in place to ensure the school lunch fund's monthly cash balance is limited to three months' average expenditures to keep in compliance with cash management requirements. The process will include a review by a second staff member.

Program Income/Special Tests: Procedures will be put into place to ensure that income is properly recorded in the financial records. The process will include a review by a second staff member.

Reporting: Procedures will be put in place to ensure the correct reporting of the verification summary, the annual financial report, and the monthly claims for reimbursement. The process will include a review by a second staff member.

Anticipated Completion Date:

Procedures will be put in place by August 1, 2016.

Colleen R. Hostetler
Food Service Director

5-20-16

Date



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Ofelia Gregoline
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CORRECTIVE ACTION PLAN

FINDING 2015-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Kara Bonin
Contact Phone Number: (219) 650-5300

We concur with this finding.

Description of Corrective Action Plan: Eligibility: Procedures will be established to verify the pre-populated public and poverty enrollment reported on the eligible schools summary page.

Level of Effort: Settings in the financial software have been changed and will not allow for transactions to take place after the submission of the Form 9.

Reporting and Special Tests: Procedures will be put into place to verify accuracy of information on the final expenditure report, the state per pupil expenditure report, or the comparability report. The process will include a review by a second staff member.

Anticipated Completion Date: Procedures will be put in place by August 1, 2016.

Kara Bonin
Director of Elementary Education

Date

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

EXCESS LEVY

As a result of calculating excess levy independently of the Department of Local Government Finance (DLGF), the School Corporation receipted \$3,997,899 of delinquent property tax payments into the Levy Excess fund instead of the appropriate individual funds (Debt, Capital Projects, Transportation, and Bus Replacement). The delinquent property taxes do not meet the definition of "levy excess" and should not have been receipted into the Levy Excess fund. Indiana Code states that the amount of excess has to be approved by DLGF and the term does not include delinquent property taxes collected during a particular year.

Indiana Code 20-44-3-2 states in part:

"As used in this chapter, 'levy excess' means that part of the property tax levy actually collected by a school corporation for taxes first due and payable during a particular calendar year that exceeds the school corporation's total levy, as approved by the department of local government finance under IC 6-1.1-17, for those property taxes. The term does not include delinquent ad valorem property taxes collected during a particular year that were assessed for an assessment date that precedes the assessment date for the current year in which the ad valorem property taxes are collected."

PUBLIC PURCHASES

In May 2015, the School Corporation purchased \$275,493 of laptops and charging carts. Evidence was not presented for audit that the School Corporation issued an invitation for bids. The School Corporation stated that the purchase was made from the vendor since the price per laptop and cart was less than the State of Indiana QPA. However, the proper documentation to support a Special Purchasing Method was not provided for audit as required by Indiana Code 5-22-10.

In June 2013, the School Corporation purchased \$53,153 of band equipment. Evidence was not presented for audit that the School Corporation issued an invitation for quotes from at least three vendors.

Indiana Code 5-22-10-1 states: "Notwithstanding any other provision of this article, a purchasing agent may make a purchase under this chapter without soliciting bids or proposals."

Indiana Code 5-22-10-2 states: "A special purchase must be made with competition as is practicable under the circumstances."

Indiana Code 5-22-10-3 states:

"(a) A purchasing agent shall maintain the contract records for a special purchase in a separate file.

(b) A purchasing agent shall include in the contract file a written determination of the basis for:

- (1) the special purchase; and
- (2) the selection of a particular contractor.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

(c) Notwithstanding any other law, a governmental body shall maintain a record listing all contracts made under this chapter for a minimum of five (5) years. The record must contain the following information:

- (1) Each contractor's name.
- (2) The amount and type of each contract.
- (3) A description of the supplies purchased under each contract.

(d) The contract records for a special purchase are subject to annual audit by the state board of accounts."

Indiana Code 5-22-8-3 states:

"(a) This section applies only if the purchasing agent expects the purchase to be:

- (1) at least fifty thousand dollars (\$50,000); and
- (2) not more than one hundred fifty thousand dollars (\$150,000).

(b) A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased.

(c) The purchasing agent shall mail an invitation to quote to the persons described in subsection (b) at least seven (7) days before the time fixed for receiving quotes.

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required.

(e) The purchasing agent may reject all quotes.

(f) If the purchasing agent does not receive a quote from a responsible and responsive offeror, the purchasing agent may purchase the supplies under IC 5-22-10-10."

POLICY ON PREPAID SCHOOL LUNCH ACCOUNT BALANCES

The School Corporation does not have a formal written policy that addresses student lunch account negative or very small balances.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 9)

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

POSTING OF NONTEACHING CERTIFIED EMPLOYEE CONTRACTS

Nonteaching certified employee contracts for the audit period were not posted on the school website.

Indiana Code 20-26-5-4.7(b) states: "The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."



**MERRILLVILLE COMMUNITY
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Member

Official Response

Below is the response to the audit comments for the period of July 1, 2013, to June 30, 2015.

Audit Comment: Excess Levy
Response: The questioned amount has been transferred from the Levy Excess Fund to the appropriate individual funds. Due to the amount received, funds were receipted into the Levy Excess Fund. In the future, funds will not be deposited into the Levy Excess Fund until official notification from the DLGF is received.

Audit Comment: Public Purchases
Response: We are reviewing our procedures to ensure that proper documentation is on file to support special purchasing methods as required by Indiana Code 5-22-10.

Audit Comment: Policy on Prepaid School Lunch Account Balances
Response: We will address the policy on student lunch account balances.

Audit Comment: Posting of Non-Teaching Certified Employee Contracts
Response: We will update the posted non-teaching certified employee contracts on our school website.

Hilda Damianick
Asst. Superintendent for Business
May 26, 2016

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 26, 2016, with Amy Tarr, Treasurer; Hilda Damianick, Assistant Superintendent for Business Affairs; Jeffery T. Stuebaker, Superintendent of Schools; and Mark S. Lucas, President of the School Board.