

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF MISHAWAKA

ST. JOSEPH COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/20/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Randy J. Squadroni	01-01-12 to 12-31-15
Superintendent of Schools	Dr. Terry E. Barker	07-01-12 to 06-30-17
President of the School Board	Marci A. Sears Dennis R. Wood Jeffery E. Emmons	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SCHOOL CITY OF MISHAWAKA, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the School City of Mishawaka (School Corporation), for the period from July 1, 2012 to June 30, 2014. 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

February 3, 2015

SCHOOL CITY OF MISHAWAKA
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER PAYROLL

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to payroll transactions. Pay rates as approved by the School Board are documented by the Human Resources Department and manually provided to the Payroll Department. The Payroll Accounting Specialist enters the approved pay rates into the payroll software system without oversight or review. The failure to establish controls to verify that correct pay rates are entered and that payments made are based on correct pay rates could enable misstatements or irregularities to remain undetected.

2. There is a deficiency in the internal control system concerning the approval of payments to substitute teachers. The School Corporation uses computer software which allows substitute teachers to log onto the system and choose which days they wish to work. At the end of the pay period, a listing by substitute is generated by the Payroll Accounting Specialist. This list generated from the software is used as the documentation for the payments made to the substitute teachers. There is no process to verify that the substitute teacher actually worked those days and no process to approve the payments made to substitute teachers.

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)

FINDING 2014-002 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years: FY 2013 and FY 2014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirements. The failure to establish an effective internal control system places 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 allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program. An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

SCHOOL CITY OF MISHAWAKA
FEDERAL FINDINGS
(Continued)

The School Corporation relied on officials of another school corporation as part of a purchasing group to perform procurement activities and to verify compliance with Suspension and Debarment requirements for a Third Party Purchasing Service for food products, materials, and supplies. The School Corporation provided no oversight or approval of the process. Only one company submitted a proposal for Third Party Purchasing Services; however, the contract with this vendor was not available for audit.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required Procurement, or Suspension and Debarment procedures were applied to all applicable purchases. No permissible procurement procedures were employed when purchasing bread and milk/dairy products, which were not included in the Third Party Purchasing Service. In addition, there was no evidence that officials verified compliance with Suspension and Debarment requirements for bread and milk/dairy vendors.

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 3016.35 states in part:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

7 CFR 3016.36 states in part:

"(b) *Procurement standards:*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that School Corporations officials establish and implement effective internal controls over Procurement and Suspension and Debarment to ensure compliance and to comply with Procurement and Suspension and Debarment requirements of the programs.

SCHOOL CITY OF MISHAWAKA
FEDERAL FINDINGS
(Continued)

**FINDING 2014-003 - INTERNAL CONTROL OVER SCHOOL BREAKFAST
AND NATIONAL SCHOOL LUNCH PROGRAMS**

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years: FY 2013 and FY 2014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Reporting and Eligibility compliance requirements. The failure to establish an effective internal control system places 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 allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Eligibility

The School Corporation has not designed or implemented adequate policies or procedures to ensure that students' eligibility for free and reduced price lunches is properly determined in compliance with program requirements. One person is solely responsible for inputting applications into the computer software system which determines eligibility. An oversight or review process has not been established to ensure accurate eligibility determinations.

Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight or approval process.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by ensuring proper oversight, reviews, and approvals take place and having a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect on the program could result in the loss of federal funds to the School Corporation.

SCHOOL CITY OF MISHAWAKA
FEDERAL FINDINGS
(Continued)

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect on the programs.

FINDING 2014-004 - INTERNAL CONTROL OVER TITLE I CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years: 12-7200, 13-7200, and 14-7200

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Cash Management and Reporting compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places 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 allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no evidence of segregation of duties, such as an oversight or approval process.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

SCHOOL CITY OF MISHAWAKA
FEDERAL FINDINGS
(Continued)

FINDING 2014-005 - INTERNAL CONTROL AND COMPLIANCE OVER TITLE I ALLOWABLE COSTS

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years: 12-7200, 13-7200, and 14-7200
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Allowable Costs compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required periodic certifications are prepared at each school that employs Title I personnel. When employees are paid entirely from a grant, the grantee is required to obtain signed semiannual certifications from the grant personnel. The School Corporation did not complete the required semiannual certifications for each school that employs Title I personnel to support their compensation.

OMB Circular A-87, Attachment B, paragraph 8.h. states in part:

"(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee."

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."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs compliance requirements. We also recommended that the School Corporation comply with Allowable Costs requirements by preparing the semiannual certifications for all applicable employees and schools.

SCHOOL CITY OF MISHAWAKA
FEDERAL FINDINGS
(Continued)

FINDING 2014-006 - PERIOD OF AVAILABILITY

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Number: 10-7200
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Period of Availability compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. An internal control system should be designed and operate effectively to provide reasonable assurance that noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

The School Corporation did not ensure that all obligations for expenditures made from program funds were incurred during the period of availability. The grant period ended September 30, 2012; however, several meetings which were financed with program funds occurred after that date. The expenditures of program funds which were not obligated during the period of availability totaled \$14,385. These expenditures are considered questioned costs.

34 CFR 80.23(a) states:

"General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

34 CFR 76.709 Funds may be obligated during a "carryover period" states:

"(a) If a State or a subgrantee does not obligate all of its grant or subgrant funds by the end of the fiscal year for which Congress appropriated the funds, it may obligate the remaining funds during a carryover period of one additional fiscal year.

(b) The State shall return to the Federal Government any carryover funds not obligated by the end of the carryover period by the State and its subgrantees."

34 CFR 76.710 Obligations made during a carryover period are subject to current statutes, regulations, and applications, states:

"A State and a subgrantee shall use carryover funds in accordance with:

(a) The Federal statutes and regulations that apply to the program and are in effect for the carryover period; and

(b) Any State plan, or application for a subgrant, that the State or subgrantee is required to submit for the carryover period."

SCHOOL CITY OF MISHAWAKA
FEDERAL FINDINGS
(Continued)

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."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls to ensure compliance, and comply with the Period of Availability requirements of the program.



CORRECTIVE ACTION PLAN

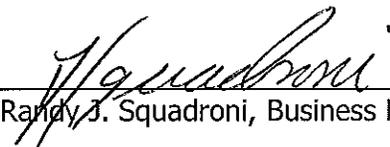
FINDING NO. 2014-001 – Internal Controls over Payroll

1. Lack of Segregation of Duties: The school corporation has not separated incompatible activities related to payroll transactions. Pay rates as approved by the School Board are documented by the Human Resources department and manually provided to the Payroll department. The Payroll Accounting Specialist enters the approved pay rates into the payroll software system without oversight or review. The failure to establish controls to verify that correct pay rates are entered and that payments made are based on correct pay rates could enable misstatements or irregularities to remain undetected.

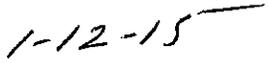
Corrective Action: The Payroll Accounting Specialist will start printing the approved pay rates, or any changes, for the Human Resources Department to verify and sign off prior to processing payroll every scheduled payroll date.

2. There is a deficiency in the internal control system concerning the approval of payments to substitute teachers. The school corporation uses computer software which allows substitute teachers to log onto the system and choose which days they wish to work. At the end of the pay period, a listing by substitute is generated by the Payroll Accounting Specialist. This list generated from the software is used as the documentation for the payments made to the substitute teachers. There is no process to approve the payments made to the substitute teachers.

Corrective Action: Beginning on January 1, 2015, the generated list of substitute teachers will be verified by each school's Secretary and signed off by the school's Principal before payroll is processed and payment is made to the substitute teachers.



Randy J. Squadroni, Business Manager



Date



CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Peggy Baer
Contact Phone Number: 574-254-4508

Description of Corrective Action Plan:

The corrective action plan for the internal control system will take place immediately in regard to the Procurement, Suspension, And Debarment.

With the bidding process to start in April for the 15-16 school year, the Food Service Department will see that we are in compliance with regulations by making sure that we present all bids from secured vendors to the Board and such bids are kept on file for future reference.

We will also see that a letter of agreement between the Purchasing parties and the Food Services will be on file for audit.

The Food Service Department will also check to make sure that no bids are awarded to any contractor which has been suspended or debarred.

Anticipated Completion Date: 7-1-2015

Peggy Baer
(Signature)

Food Service Coordinator

(Title)

1-8-2015



School City of Mishawaka

An NCA/CASI Accredited District

Creating a Lifetime of Learning for All

CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Peggy Baer
Contact Phone Number: 574-254-4508

Description of Corrective Action Plan:

The corrective action plan for the internal control system will take place immediately in regard to the Free and Reduced applications. After an application has been processed by Lisa Hab (administrative sec.), I will check her work to make sure it is correct and she will do the same after I have processed an application. Said applications will then be initialed and dated by the reviewer.

In regard to the monthly reports that are being processed by the administrative secretary, I will review her work as she is entering the final numbers into said reports and will sign and date that I have approved her figures.

Anticipated Completion Date: 1-9-2015

Peggy Baer
(Signature)

Food Service Coordinator

(Title)

1-8-2015
(Date)

Administrative Center

1402 South Main Street • Mishawaka, IN 46544-5297
phone [574] 254-4500 • fax [574] 254-4585 • www.mishawaka.k12.in.us



School City of Mishawaka

Equipping Students to Excel

CORRECTIVE ACTION PLAN

Office of
Curriculum & Instruction

Dr. Terry E. Barker
Superintendent of Schools

Daniel R. Towner
*Executive Director
for Curriculum & Instruction*

Carolyn S. Freeman
*Coordinator
for Assessment and High Ability Programs*

Annette Darr
Administrative Assistant

Cathy Leazenby
Administrative Assistant

Lexie Schroeder
*Director
of Hannah Lindahl Children's Museum*

FINDING 2014-004

Contact Person Responsible for Corrective Action: Daniel R. Towner and Randy J. Squadroni
Contact Phone Number: 574-254-4536 574-254-4503

Description of Corrective Action Plan:

This finding centers on the fact that, when electronic federal fund reimbursements are submitted to the Indiana Department of Education, a copy of the submittal form is to be signed as authorized by the Federal Program Administrator and the Business Manager. Such forms are to be maintained by the district and apply to all federal grant funds.

Prior to May, 2014, the federal fund reimbursement forms submitted each month had not been presented for administrative signatures. This finding was the result of the Business Office employee handling reimbursements being unaware of the requirement. With a change to the state reimbursement form and a new employee handling this task, such forms have subsequently been signed, as required, by the appropriate district administrators. This correction has been in place and in practice beginning with the summer of 2014.

All district employees involved in the federal grant reimbursement process have been instructed and advised of the required procedures and expectations. Reimbursement forms are to be signed by appropriate administrative staff authorizing the submittal and kept on file at the district office thus ensuring an appropriate internal control system.

Anticipated Completion Date:

The corrective action described above has been completed and is, in fact, the procedure used effective June 2014.


(Signature)

Executive Director for Curriculum & Instruction

(Title)

January 8, 2015

(Date)

Administrative Center

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CORRECTIVE ACTION PLAN

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FINDING 2014-005

Contact Person Responsible for Corrective Action: Daniel R. Towner
Contact Phone Number: 574-254-4536

Description of Corrective Action Plan:

Finding 2014-005 reflects that "Semi-Annual Certification" forms must be completed for all federally funded employees paid from a single grant fund. Such certification forms for each school are to be signed semi-annually by the appropriate supervisor and kept on file at the district. Historically, School City of Mishawaka federal grant program administrators had completed such forms for only those schools identified by the Indiana Department of Education for monitoring.

On December 9, 2014, a meeting was held with all SCM administrators involved with federal grant programs to inform them of the "Semi-Annual Certification" form requirements and expectations. New procedures and controls were discussed to ensure that such forms will be completed as required in the future to be in compliance.

Semi-Annual forms have now been completed to date and are on file at the district office.

Anticipated Completion Date:

The corrective action described above has been completed and is, in fact, the procedure used effective December 9, 2014.


(Signature)

Executive Director for Curriculum & Instruction

(Title)

January 8, 2015

(Date)

Administrative Center



School City of Mishawaka

Equipping Students to Excel

CORRECTIVE ACTION PLAN

Office of
Curriculum & Instruction

Dr. Terry E. Barker
Superintendent of Schools

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Annette Darr
Administrative Assistant

Cathy Leazenby
Administrative Assistant

Lexie Schroeder
*Director
of Hannah Lindahl Children's Museum*

FINDING 2014-006

Contact Person Responsible for Corrective Action: Daniel R. Towner
Contact Phone Number: 574-254-4536

Description of Corrective Action Plan:

Finding 2014-006 indicates that all federal Title II grant funded professional development activities must occur within the grant period from which they are paid. SCM was under the mistaken understanding that funds could be encumbered and expended during the grant period even though the activity or event provided through these funds was to occur after the final expenditure date.

All district personnel responsible for the management of Title II funds have received updated guidance regarding grant periods and the timeframe for funded activities as detailed in Finding 2014-006.

Anticipated Completion Date:

The corrective action described above has been completed as of the date of this report.

(Signature)

Executive Director for Curriculum & Instruction

(Title)

January 8, 2015

(Date)

Administrative Center

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phone [574] 254-4500 • fax [574] 254-4585 • www.mishawaka.k12.in.us

SCHOOL CITY OF MISHAWAKA
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented for the School Corporation included the following funds with overdrawn cash balances at June 30, 2013, and June 30, 2014:

<u>Fund</u>	<u>Amount Overdrawn 06-30-13</u>	<u>Amount Overdrawn 06-30-14</u>
Construction	\$ 26,049	\$ -
Gifts and Donations	-	87,876
MHS Pool Projects	46,480	-
Textbook Rental	913,275	870,195
Self-Insurance	708,783	1,024,072
Historical Society	-	7,946
Support Staff Recognition	11,640	2,399

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PREPAID SCHOOL LUNCH ACCOUNTS

Receipts from students who prepay for food are receipted directly into the School Lunch fund instead of the clearing account established for prepaid food.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)



CORRECTIVE ACTION PLAN

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at June 30, 2013 and June 30, 2014.

<u>Fund</u>	<u>06-30-13</u>	<u>06-30-14</u>
Gifts and Donations	\$ -	\$ 87,876
MHS Pool Projects	\$ 46,480	\$ -
Textbook Rentals	\$913,275	\$ 870,195
Self-Insurance	\$708,783	\$1,024,072
Historical Society	\$ -	\$ 7,946

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9).

Corrective Action

The MHS Pool Project was granted a Common School Loan. The expenditure was paid off by December 31, 2013. The Historical Society and Gift/Donation Funds are both calendar funds. Both funds were in balance as of December 31, 2013 and December 31, 2014. As for the Self-Insurance Fund, the negative balance was due to high claims reducing the end of the year settlement money to pay off the SCM clinic cost. As of January 2014, this fund has a positive balance.

The Textbook Rental Fund: book adoptions are paid up front with the expectation to collect the book fees over a six year period. Since School City of Mishawaka does not have the means to pay for all the adoptions up front, a negative balance remains until the fees are collected to pay off the existing debt year by year. The negative balance is also burdened by the students who qualify for free and/or reduced fees. The State reimburses the school for the free and reduced students, but never at 100% of the cost. The difference is absorbed by the school corporation.

PREPAID SCHOOL LUNCH ACCOUNTS

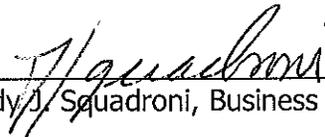
Receipts from students who prepay for food are receipted directly into the School Lunch Fund instead of the clearing account established for prepaid food.

Clearing Account Number 8400 – Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue

classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol. 183)

Corrective Action

School City of Mishawaka is planning to set up a prepaid fund to deposit all prepaid deposits until these funds have been expended. Once the student expends their account, the funds will be transferred to the School Lunch Fund. Regular reconciliations will be done to verify the cash balance.



Randy J. Squadroni, Business Manager

2-17-15

Date

SCHOOL CITY OF MISHAWAKA
EXIT CONFERENCE

The contents of this report were discussed on February 3, 2015, with Randy J. Squadroni, Treasurer; Dr. Terry E. Barker, Superintendent of Schools; and Jeffery E. Emmons, President of the School Board.