

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MILAN COMMUNITY SCHOOLS

RIPLEY COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED

11/13/2015

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Federal Findings: | |
| Finding 2014-001 - Financial Transactions and Reporting | 4-5 |
| Finding 2014-002 - Cash Management, Eligibility, Level of Effort, Period of Availability, Reporting | 5-6 |
| Finding 2014-003 - Cash Management, Level of Effort, Period of Availability, Reporting | 6-7 |
| Finding 2014-004 - Allowable Costs/Cost Principles | 7-8 |
| Finding 2014-005 - Allowable Costs/Cost Principles | 8-9 |
| Corrective Action Plan..... | 10-13 |
| Audit Results and Comments: | |
| Textbook Rental Fees | 14 |
| Average Daily Membership (ADM) - Incorrect Reporting to the State and Lack of Records | 14 |
| Disposal of Surplus Personal Property..... | 15 |
| Public Purchases | 15 |
| Collective Bargaining Agreement | 16 |
| Prepaid Food Fund | 17 |
| Bad Debts and Uncollectable Accounts | 17 |
| Exit Conference..... | 18 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|----------------------------------|--|
| Treasurer | Gretchen Berger | 07-01-12 to 06-30-16 |
| Superintendent of Schools | Dr. Thomas Realy Paul Ketcham | 07-01-12 to 06-30-13 07-01-13 to 06-30-16 |
| President of the School Board | Timothy Tuttle Gregory Lewis | 07-01-12 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 MILAN COMMUNITY SCHOOLS, RIPLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Milan Community Schools (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, incorporated within this report, was not verified for accuracy.

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

August 13, 2015

MILAN COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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 cash, receipting, and payroll disbursements. The Treasurer is completing all activities related to completing bank reconciliations, receipting funds, and the preparation/disbursing payroll without any oversight, review, or approval process or other control. The failure to establish controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. **Preparation of the SEFA:** The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Treasurer prepares the SEFA without any oversight, review, or approval process or other control to ensure its accuracy.

During the audit of the SEFA, we noted the following errors: federal expenditures were incorrectly reported; and for some federal grant awards, expenditures and information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

MILAN COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-002 - CASH MANAGEMENT, ELIGIBILITY, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, REPORTING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 13-6910 and 14-6910 for FY 12-13 and FY 13-14

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 following compliance requirements: Cash Management, Eligibility, Level of Effort, Period of Availability, and Reporting. 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.

Cash Management, Reporting, and Period of Availability

There is no control to ensure that the Requests for Reimbursement were accurate and to ensure that money is only being requested for expenses which have already been paid by the School Corporation and to ensure that Grant funds are not being spent after the period of availability has passed.

MILAN COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Eligibility

There was no control in place to ensure that the eligibility determinations made were accurate to ensure that only eligible children were receiving Title I services.

Level of Effort

For the FY 2012-2013 school year, there was no control in place to ensure that the Treasurer's preparation of the Maintenance of Effort calculation was accurate. However, in the two years since then, the Maintenance of Effort calculation has been reviewed by the Superintendent of Schools.

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 of 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 compliance requirements listed above.

FINDING 2014-003- CASH MANAGEMENT, LEVEL OF EFFORT, PERIOD OF AVAILABILITY, REPORTING

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14212-052-PN01, 14213-052-PN01,
and 14214-052-PN01 for FY 13, FY 14

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 following compliance requirements: Cash Management, Level of Effort, Period of Availability, and Reporting. 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.

MILAN COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cash Management, Reporting, and Period of Availability

There is no control to ensure that the Requests for Reimbursement were accurate and to ensure that money is only being requested for expenses which have already been paid by the School Corporation and to ensure that Grant funds are not being spent after the Period of Availability has passed.

Level of Effort

For the FY 2012-2013 school year, there was no control in place to ensure that the Treasurer's preparation of the Maintenance of Effort calculation was accurate. However, in the two years since then, the Maintenance of Effort calculation has been reviewed by the Superintendent.

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 of 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 compliance requirements listed above.

FINDING 2014-004 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 13-6910 and 14-6910 for FY 12-13 and FY 13-14

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 Allowable Costs/Cost Principles compliance requirements. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Allowable Costs/Cost Principles compliance requirements related to the program.

MILAN COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

There is no control in place to ensure that only employees who worked with the Title I program are paid with Title I funds. In addition, any employee that worked solely with the Title I program, their salaries and wages are required to be supported by a semiannual certification. The Title I Director at the School Corporation, who was paid solely with Title I funds, did not complete a semiannual certification for fiscal years 2013 and 2014.

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."

OMB Circular A-87, Attachment B, paragraph 8.h.(3) states in part:

"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 firsthand knowledge of the work performed by the employee."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of 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 compliance requirements listed above. We also recommended that the School Corporation complete the semiannual certifications for each employee paid solely from Title I funds.

FINDING 2014-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14212-052-PN01, 14213-052-PN01,
and 14214-052-PN01 for FY 13, FY 14

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 Allowable Costs/Cost Principles compliance requirements. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Allowable Costs/Cost Principles compliance requirements related to the program.

MILAN COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

There is no control in place to ensure that only employees who worked with the Special Education program are paid with Special Education funds. In addition, any employee that worked solely with the Special Education program is required to support their salary and wages by a semiannual certification. All Special Education employees were listed on semiannual certifications, but for FY 2013-2014 the semiannual certifications were not signed by a supervisor with direct knowledge of the work performed by the employees as required.

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-87, Attachment B, paragraph 8.h.(3) states:

"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 could enable material noncompliance to go undetected. Noncompliance of 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 compliance requirements listed above. We also recommended that the School Corporation complete the semiannual certifications for each employee paid solely from Special Education funds and have them signed by the appropriate designee.



MILAN COMMUNITY SCHOOLS

412 EAST CARR STREET

MILAN, INDIANA 47031

Tel (812) 654-2365 Fax (812) 654-2441

Corrective Action Plan

Finding 2014 – 001

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties and preparation of the SEFA.

The Corporation Treasurer is completing all areas related to bank reconcilements, receipting of corporation funds, and preparation/disbursing of payroll without any additional monitoring or key controls in place.

Resolution: The Superintendent will review the bank reconcilements and payroll distribution reports each month. The deputy treasurer will assist the treasurer in preparing/disbursing payroll and also with receipting/disbursing corporation funds.

The Corporation Treasurer prepared the SEFA without having someone review before the schedule was submitted. Due to the first time entry of information to Gateway AFR, total federal expenditures were incorrectly reported and identifying information was omitted for some of the grant awards.

Resolution: The corporation treasurer now understands the procedures for the SEFA reporting. The superintendent will review this report before it is submitted each year.

Finding 2014 – 002

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 following compliance requirements: activities allowed or unallowed, allowable costs/cost principles, cash management, eligibility, matching, level of effort and earmarking and reporting.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles :

The Treasurer prepares the payroll for all employees. There is no review of payroll to ensure that only Title I employees are paid from Title I funds.

Resolution: The corporation treasurer will make sure all payroll distributions for Title I are reviewed by the deputy treasurer or Superintendent.

Cash Management and Period of Availability:

There is no review of Requests for Reimbursement to ensure that money is only being requested for expenses which have already been paid by the school corporation and to ensure that Title I grant funds are not being spent after the Period of Availability is passed.

Resolution: The corporation treasurer will make sure all expenditures for Title I funds are reviewed by the deputy treasurer or Superintendent before submitting the request for reimbursement form.

Eligibility:

There is no documentation of the review of eligibility determinations made by the Title I director to ensure that only eligible children are receiving Title I services.

Resolution: The Title I director will submit this information for review by the Principal or Superintendent.

Matching Level of Effort and Earmarking:

There was no review of the Maintenance of Effort calculation made by the treasurer for the 2012-13 year.

Resolution: In the two years since, the MOE calculation has been reviewed by the Superintendent.

Reporting:

There is no review of Requests for Reimbursement or the Final Expenditure Report to ensure that they are prepared correctly and submitted on time.

Resolution: The corporation treasurer will submit all Title I reports for review by the deputy treasurer or Superintendent.

Finding 2014 – 003

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 following compliance requirements: activities allowed or unallowed, allowable costs/cost principles, cash management, eligibility, matching, level of effort and earmarking and reporting.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles :

The Treasurer prepares the payroll for all employees. There is no review of payroll to ensure that employees paid with Special Education funds are working within the Special Education program.

Resolution: The corporation treasurer will make sure all payroll distributions for the Special Education program are reviewed by the deputy treasurer or Superintendent.

Cash Management and Period of Availability:

There is no review of Requests for Reimbursement to ensure that money is only being requested for expenses which have already been paid by the school corporation and to ensure that Special Education grant funds are not being spent after the Period of Availability is passed.

Resolution: The corporation treasurer will make sure all expenditures for Special Education funds are reviewed by the deputy treasurer or Superintendent before submitting the request for reimbursement form.

Matching Level of Effort and Earmarking:

There was no review of the Maintenance of Effort calculation made by the treasurer for the 2012-13 year.

Resolution: In the two years since, the MOE calculation has been reviewed by the Superintendent.

Reporting:

There is no review of Requests for Reimbursement or the Final Expenditure Report to ensure that they are prepared correctly and submitted on time.

Resolution: The corporation treasurer will submit all Special Education reports for review by the deputy treasurer or Superintendent.

Finding 2014 – 004

The Title I director did not complete a semi-annual certification for fiscal Years 2013 and 2014 for the director's position which is paid from Title I funds.

Resolution: The Title I director will complete this semi-annual certification and submit it to the Principal or Superintendent for review.

Finding 2014 – 005

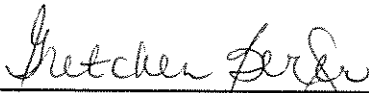
All Special Education employees were listed on the semi-annual certification, but the fiscal year 2014 semi-annual certification was not signed by a supervisor with direct knowledge of the work performed by the employees.

Resolution: All semi-annual certifications will be signed by the Principal or Superintendent.

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.

Due to being a small school corporation with a small student enrollment, funds do not permit hiring additional employees in order to meet the desired segregation of duties.

The school corporation treasurer and all employees involved with Federal grants will submit all documents for approval to other employees for review before submitting them.



Gretchen Berger, Corporation Treasurer, 11/5/2015

 11-5-15

Paul Ketcham, Superintendent, 11/5/2015

MILAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

TEXTBOOK RENTAL FEES

The School Corporation charged textbook rental fees of 25 percent of the cost of each textbook after they were extended for use.

Indiana Code 20-26-12-2 states:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected.

(c) This section does not limit other laws."

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE AND LACK OF RECORDS

The information presented for audit indicates Honors Diplomas reported to the Department of Education were incorrect for the school year ending June 30, 2014.

The diplomas reported for fiscal year 14 were awarded to students at the end of fiscal year 13. The difference between the count reported to the State and the verified figures are shown below:

| <u>Count Year</u> | <u>Diploma</u> | <u>Count as Reported to the State</u> | <u>Actual Diplomas Awarded</u> | <u>Difference</u> |
|-------------------|------------------|---------------------------------------|--------------------------------|-------------------|
| 2013-2014 | Academic Honors | 31 | 30 | -1 |
| 2013-2014 | Technical Honors | 0 | 2 | 2 |

A similar Comment appeared in prior Report B41839.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

MILAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

DISPOSAL OF SURPLUS PERSONAL PROPERTY

The School Corporation sold a Tool Engraver Printer, which had an estimated value of more than \$1,000. The School Corporation Administration received approval from the School Board to seek buyers for the equipment; however the School Corporation Administration did not properly advertise the equipment in the newspaper or accept bids.

Indiana Code 5-22-22-5 states:

"(a) If:

- (1) an auctioneer is not engaged under section 4 of this chapter; or
 - (2) the surplus property is not sold through an Internet auction site under section 4.5 of this chapter; the purchasing agency shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale.
- (b) Advertisement of the sale shall be made in accordance with IC 5-3-1.
- (c) All sales shall be made to the highest responsible bidder."

PUBLIC PURCHASES

The School Corporation purchased computer equipment on July 16, 2012. The original cost was \$80,100; however, there was no evidence presented for audit, that the School Corporation invited quotes from at least three vendors.

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."

MILAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

COLLECTIVE BARGAINING AGREEMENT

The 2013-2015 Master Contract between Milan Community Schools and the Milan Education Association contained multiple items that are prohibited by Indiana Code 20-29-6-4.5. The items that are prohibited in this case include hiring of certificated employees, unpaid leave policies not pertaining to federally mandated leave such as FMLA, reimbursements, the number of pays in a year, job sharing, voluntary sick leave bank, and deductions.

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1.5, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool.

Indiana Code 20-29-6-4.5 states:

(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter. . . .

(c) A subject set forth in subsection (a) or (b) that may not be bargained collectively may not be included in an agreement entered into under this article."

MILAN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

PREPAID FOOD FUND

Prepaid lunch receipts were not placed in Fund 8400 Prepaid Food, a clearing account, but were instead accounted for in the School Lunch fund, Fund 800. The entire amount of prepaid lunch receipts were recognized in the School Lunch fund, Fund 800 at the time of receipt as revenue and not as applied from the clearing account as students consumed their individual account balances. As a result, the subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis.

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 Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Administrator, September 2008)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

No written policy was presented for audit for writing off bad debts, uncollectible accounts receivable, or other adjustments such as unpaid textbook rental or school lunch credit 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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

MILAN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2015, with Gretchen Berger, Treasurer; Paul Ketcham, Superintendent of Schools; and Gregory Lewis, President of the School Board.