

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTAGE TOWNSHIP SCHOOLS

PORTER COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
07/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nicole Thorn	07-01-13 to 06-30-14
	Gabby Perryman (Interim)	07-01-14 to 08-31-14
	Wendy Kulczyk	09-01-14 to 06-30-16
Superintendent of Schools	Dr. E. Ric Frataccia	07-01-13 to 06-30-14
	Richard Weigel	07-01-14 to 06-30-16
President of the School Board	Cheryl Oprisko	01-01-13 to 12-31-15
	Andy Maletta	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PORTAGE TOWNSHIP SCHOOLS, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Portage Township Schools (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

April 21, 2016

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS

FINDING 2015-001 - 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: FY 2013-14, FY 2014-15
Pass-Through Entity: Indiana Department of Education

The School Corporation operated a Food Service Program, which 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 included, but was not limited to, salaries and benefits, food purchases, supplies, and all revenue generated by the Food Service Program.

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement for Allowable Costs/Cost Principles. A lack of segregation of duties within an internal control system could also allow non-compliance 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 programs.

Management of the School Corporation had not established an effective internal control system, to ensure that only allowable and adequately documented payroll costs were paid with the Food Service Program funds. An oversight, review, or approval process had not been established to ensure that proper documentation was maintained for salaries paid from food service for employees who also worked in a non-federal activity.

An internal control system 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.

The School Lunch fund was used for the payment of food service employees' wages. 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 \$49,461 and is considered a questioned cost.

OMB Circular A-87, Attachment B, Section (8)(h)(4), states:

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:

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

- (a) More than one Federal award,
- (b) A Federal award and non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost 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 enabled noncompliance to go undetected. The failure to comply with 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 Allowable Costs/Cost Principles requirement of the programs.

FINDING 2015-002 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2013-14, FY 2014-15
Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement for Cash Management. 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 programs.

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

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 making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. 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.

PORTAGE TOWNSHIP SCHOOLS
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 School Corporation maintained cash balances that exceeded the average expenditures for 3 months during 16 months of the 24 month audit period. The cash account balances exceeded the average expenditures for 3 months in amounts between \$1,060,347 to \$1,491,411 for the 2013-2014 school year. The cash account balances exceeded the average expenditures for 3 months in amounts between \$1,105,561 to \$1,494,229 for the 2014-2015 school year.

7 CFR section 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e)(1)(iv) states: "Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

The failure to establish internal controls enabled noncompliance to go undetected. Failure to comply with the Cash Management Provisions of the grant could result in sanctions from the pass-through agency.

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management requirement of the programs.

FINDING 2015-003 - SPECIAL EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Programs: Special Education-Grants to States, Special Education-Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers: 14212-050-PN01, 14213-050-PN01, 14214-050-PN01, 14215-050-PN01,

99914-050-TA01, 45714-050-PN01, 45715-050-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had 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, Level of Effort - Maintenance of Effort, and Period of Availability. 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 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 programs.

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Over 95 percent of the grant expenditures were for payroll and related benefit costs for special education personnel. One employee was responsible for the preparation, recording, and payment of the bi-weekly payroll and related benefit costs. There was no evidence of an oversight or review process. Policies or procedures have also not been designed or implemented to ensure that required periodic certifications are prepared for all personnel paid solely from federal funds or that timesheets for hourly employees indicate the program or fund from which the employee will be paid.

Level of Effort - Maintenance of Effort (MOE)

The School Corporation had not designed or implemented policies and procedures to ensure that the MOE calculation was accurate or that supporting documentation was maintained. One individual calculated and reported the MOE. An oversight, review, or approval process had not been established.

Period of Availability

The School Corporation historically expended the available funds in advance of the end of the period of availability. However, evidence of a review process was not noted to ensure that grant funds were disbursed within the period of availability and that expenditures were not made from expired grant funds.

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, 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 have 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 compliance requirements listed above.

PORTAGE TOWNSHIP SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2015-004 - INTERNAL CONTROL OVER 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: FY 2013-14, FY 2014-15
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Reporting, and Special Tests and Provisions - Paid Lunch Equity compliance requirements. 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 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 programs.

Activities Allowed or Unallowed

The School Corporation had not designed or implemented adequate policies or procedures to ensure that payroll disbursements were only for food service operating and administrative costs and the appropriate supporting documentation was in agreement with the payroll disbursements. An oversight, review, or approval process had not been established for the payroll disbursements posted to the School Lunch fund.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Verification Summary Report was accurate. One employee was responsible for preparing and submitting the reports. An oversight, review, or approval process had not been established.

Special Tests and Provisions - Paid Lunch Equity

The School Corporation had not designed or implemented adequate policies or procedures to ensure that paid lunch equity was properly determined and implemented. There was no segregation of duties, such as an oversight, review, or approval process. The Food Service Director used a calculator on the Indiana Department of Education website to calculate the weighted average meal price, then compared the meal price to the paid lunch equity rate provided by the Indiana Department of Education. There was no review process to verify the data that had been input into the calculator, including both meal counts and meal prices for the prior school year, were correct or that the appropriate changes had been made, if applicable.

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.

PORTAGE TOWNSHIP SCHOOLS
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 could have 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 establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

PORTAGE TOWNSHIP SCHOOLS



Food and Nutrition Services

6270 U.S. Highway 6
Portage, Indiana 46368
Phone: 219-763-8008
Fax: 219-764 6283

Lisa Strong

Director of Food Services

Lisa Mischke

Assistant Director of Food Services

*Food and
Nutrition
Services*

CORRECTIVE ACTION PLAN

FINDING 2015-001 ALLOWABLE COSTS/COST PRINCIPLES

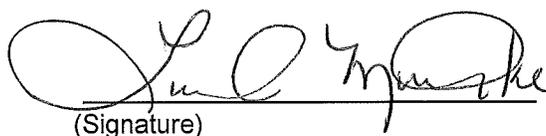
Contact Person Responsible for Corrective Action: Lisa Mischke, Director of Food Service
Contact Phone Number: (219) 764-6278

The School Corporation has implemented the following procedures to ensure proper oversight, reviews, and approvals over the payroll activities of the grant program.

The Food Service hourly employees' time sheets will be matched with the Organization Charge Summary Report that indicates which employees were paid from Food Service accounts. The Payroll Department will provide the Organization Charge Summary Report after every pay roll run to the Assistant Director of Food Service. The Organization Charge Summary Report and time sheets will be reviewed, initialed, and maintained after every payroll by the Assistant Director of Food Service or their designee to verify only authorized salaries are paid from grant funds.

The district has discontinued allowing employees to work within multiple departments there by reducing the risk of payment for unallowable payroll activity.

Anticipated Completion Date: April 8th, 2016 Payroll.


(Signature)

Asst. Food Service Director
(Title)

4/21/16
(Date)

PORTAGE TOWNSHIP SCHOOLS



Food and Nutrition Services
6270 U.S. Highway 6
Portage, Indiana 46368
Phone: 219-763-8008
Fax: 219-764 6283

Lisa Strong
Director of Food Services

Lisa Mischke
Assistant Director of Food Services

*Food and
Nutrition
Services*

CORRECTIVE ACTION PLAN

FINDING 2015-002 – CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Lisa Mischke
Contact Phone Number: (219) 764-6278

Portage Township Schools agrees that there were some months that resulted in the School Corporation maintaining cash balances that exceeded the three months average operating expense threshold during the 24 month audit period. However, prior to the beginning of the 2013-2014 School Year, Portage Township Schools had monitored the cash balance in SY 12-13 and subsequently requested an exemption from the State allowing lunch prices to remain unchanged for the upcoming 2013-2014 School Year. In order to have State approval for this one time exemption for the 13-14 SY, Portage Township Schools was deemed to be an eligible school based on these two requirements: 1.) achieved 6 cents certification by the State after demonstrating that the new meal plan was being followed and 2.) could demonstrate that the required increase to paid lunch prices or revenue contributions would cause the school to exceed the 3-month operating balance. This was communicated to the School Board on June 24, 2013 in meeting minutes of the Discussion meeting.

Further, as it relates to internal controls and the finding that it "has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to three months' average expenditures in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances", Portage finds that during the audit period, spreadsheets were kept for review and monitored by the finance clerk and given to the Food Service Director for review, oversight and to act upon, if required. However, Portage Township Schools acknowledges that no actions were taken to alleviate the cash balances during the audit period with the exception of the exemption for lunch price increases.

Beginning with the 2015-2016 school year, the following actions, implemented before the audit was started, have already corrected internal control deficiencies:

1. The finance clerk pulls monthly reports for expenditures/operating expenses (eFinance) and also reports the monthly cash balance (Bank statements) for the department. These figures are entered by the finance clerk into a spreadsheet by month and then are reviewed in quarterly increments by the Food Service Director to analyze the funds. Both entities initial the spreadsheets that also include the back-up documentation. The Director then makes a recommendation/plan to the finance department about spending the excessive funds. The SFA Director also reports and gets approval from the State agency for any equipment purchases over \$5,000 as required by USDA memo SP 31 – 2014 and Government-wide requirements found in the Office of Management and Budget (OMB) guidance cited at 2 CFR Part 225 (*Cost Principles for State, Local, and Indian Tribal Governments*), Appendix B, section 15 (*Equipment and other capital expenditures*)
2. As of December 31, 2015, \$100,000 for new equipment has been competitively quoted and procured to aid in the spend down of the balance. These purchases were approved by the State Agency in accordance with USDA Memo SP 31-2014 via correspondence with Christina Herzog at the IDOE. The requisition for these purchases were reviewed and monitored by the finance department through Efinance. As once reviewed and approved, the finance department issues purchase orders for the equipment. Additionally an action plan was developed at the beginning of the 15-16 school year to identify and procure additional equipment needs in the district. The current action plan includes another \$300,000.00 for new equipment. This action plan was reviewed with the IDOE field rep and will also be shared with the finance department for procurement purposes.

Anticipated Completion Date:Corrected


(Signature)

Asst. Food Service Director
(Title)

4/21/16
(Date)

PORTAGE TOWNSHIP SCHOOLS

Board Of School
Trustees

Dr. Richard Weigel
Superintendent of Schools
Dr. Debra Dudek
Assistant Superintendent
Linda Williams
Director of Title and Special
Student Programs
Wendy Kulczyk
Director of Finance
Debra Wysong JD
Director of Human Resources

6240 U.S. Highway 6
Phone (219) 762-6511

Portage, Indiana 46368-5057
FAX (219) 763-8009

Jessica Bailey
Debra Ekdahl
Andy Maletta
Rhonda A. Nelson
Cheryl Oprisko

CORRECTIVE ACTION PLAN

FINDING 2015-003 – SPECIAL EDUCATION CLUSTER

Contact Person Responsible for Corrective Action: Ms. Quinn Van Rys, Chief Financial Officer
Porter County Education Services Cooperative
Wendy Kulczyk, Director of Finance
Portage Township Schools

Contact Phone Number: Quinn Van Rys (219) 464-9607
Wendy Kulczyk (219) 764-6008

DESCRIPTION OF CORRECTIVE ACTION PLAN:

Activities Allowed and Allowable Costs/Cost Principles

The Porter County Education Services (PCES) hourly employee's timesheets will be matched with the payroll accounting code report that indicates which employees were paid from which accounts. The report and time sheets will be reviewed to insure correct payment of personnel and such review evidenced by the PCES CFO (initial & date). The certified teaching staff hired by the PCES board, and the account codes from which they are paid are also included with the payroll account code report review process.

Level of Effort - Maintenance of Effort (MOE)

Porter County Education Services (PCES) staff will calculate the Maintenance of Effort each fiscal year for the member school districts. The PCES staff will complete the calculation, summarize the underlying data, and provide that information to each member school district for review/acknowledgement and evidence of maintenance of effort. The PCES staff will maintain this evidence for audit review.

Period of Availability

Monthly, PCES staff will review the summary of receipts and expenditures for each grant fund. A comparison of YTD receipts, expenditures, and total approved budget amounts for each grant provides on-going monitoring to determine the amount of grant funds still available for expenditure. Once the budget amount has been expended, the grant fund accounts are closed (deactivated) so that additional expenditures from a subsequent period cannot be charged to the completed grant. Such review will be evidenced by initial and date of the PCES reviewer.

ANTICIPATED COMPLETION DATE: Plans were implemented in September of 2015.

Wendy Kudryk
(Signature)

Director of Finance
(Title)

4/21/2016
(Date)

PORTAGE TOWNSHIP SCHOOLS



*Food and
Nutrition
Services*

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Fax: 219-764 6283

Lisa Strong
Director of Food Services

Lisa Mischke
Assistant Director of Food Services

CORRECTIVE ACTION PLAN

FINDING 2015-004 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER Reporting - Verification Special Tests and Provisions – Paid Lunch Equity

Contact Person Responsible for Corrective Action: Lisa Mischke
Contact Phone Number: (219) 764-6278

Activities Allowed

Corrective Action:

The School Corporation has implemented the following procedures to ensure proper oversight, reviews, and approvals over the payroll disbursements of the grant program.

The Food Service hourly employees' time sheets will be matched with the Organization Charge Summary Report that indicates which employees were paid from Food Service accounts. The Payroll Department will provide the Organization Charge Summary Report after every pay roll run to the Assistant Director of Food Service. The Organization Charge Summary Report and time sheets will be reviewed, initialed, and maintained after every payroll by the Assistant Director of Food Service or their designee to verify only authorized salaries are paid from grant funds.

The district has discontinued allowing employees to work within multiple departments there by reducing the risk of payment for unallowable payroll activity.

Reporting

Portage Township Schools agrees that their current procedure for Verification Summary Reporting needs to implement a final approval process. Currently, the Free and Reduced Clerk gathers and checks the information in a report from the current POS system after the verification process has been completed by the department using adequate oversight and approval throughout the process. Once the process is complete, the Director is responsible for transferring the summary report information into the reporting link on the IDOE website. Currently, there is no secondary approval in the department to verify that the information entered on the website matches the report information.

Corrective Action:

Beginning with the 2015-2016 school year, the following procedures have been put in place to correct these internal control deficiencies:

Once the Director inputs the information into the website, the report will be printed out and re-checked by the Assistant Director. Both the Director and Assistant Director will initial/sign the print out and will keep this document as a part of the verifications documents that are done for each school year. This will ensure that the final reporting of the information to the DOE is accurate.

Special Tests and Provisions – Paid Lunch Equity

Portage Township School agrees that the Food Service Director uses a tool calculator on the Indiana Department of Education website to calculate the weighted average meal price and then compares the meal price to the paid lunch equity rate provided by the Indiana Department of Education. Further, Portage Township Schools agree that there is no review process to verify the data that has been input into the calculator tool, including both meal counts and meal prices for the prior school year, are correct or that the appropriate changes have been made if applicable.

Corrective Action:

Beginning with the 2015-2016 school year, the following procedures have been put in place to correct these internal control deficiencies:

The Food Service Director will continue to enter the information in the calculator tool supplied by the Indiana Department of Education. Once that information is entered, the Assistant Director or Finance Specialist will review the information input using back-up data and reporting instruments and prior years information to verify the information is true and accurate. Once information is reviewed and changed as needed, both reviewers will initial/sign a hardcopy of the calculator tool, attach the back-up documentation used to complete the calculator and will keep this in a file for future use and auditing purposes.

Anticipated Completion Date: Corrected


(Signature)

Asst. Food Service Director
(Title)

4/21/16
(Date)

PORTAGE TOWNSHIP SCHOOLS
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support was incorrect for the school years ending June 30, 2014 and 2015.

The enrollment count dates for the 2013-2014 and 2014-2015 school years were September 13, 2013, and February 3, 2014; and September 12, 2014, and February 2, 2015, respectively. The differences between the count reported on the ADM and the verified figures are shown below:

<u>School Years</u>	<u>Description</u>	<u>Count as Reported on Form 30A</u>	<u>Actual Enrollment Figures</u>	<u>Over - (Under) Difference</u>
2013-2014	ADM - K through12	15,344	15,350	(6)
2014-2015	ADM - K through12	15,171	15,176	(5)

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)

CURRICULAR MATERIALS RENTAL CHARGES AND EDUCATIONAL FEES

The School Corporation did not approve the High School textbook rental fees for the 2013-2014 school year.

In addition, the School Corporation did not obtain the opinion of an attorney for any educational fees established by the School Board and whether or not they violate the Indiana constitution.

During the audit period, Indiana Code 20-26-12-2 stated in part:

"(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.

PORTAGE TOWNSHIP SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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."

Indiana Code 20-26-4-1(d) concerning duties of the School Corporation Treasurer, states in part:

"The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

COLLECTIVE BARGAINING AGREEMENT

The School Corporation did not post the collective bargaining agreement on the School Corporation's website. In addition, there was no evidence that the School Corporation posted the Non-Teaching Certified Employee contracts on the school website.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

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."

PORTAGE TOWNSHIP SCHOOLS

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**Board Of School
Trustees**
Jessica Bailey
Debra Ekdahl
Andy Maletta
Rhonda A. Nelson
Cheryl Oprisko

OFFICIAL RESPONSE

This letter is in response to the Audit Results and Comments presented by the State Board of Accounts' Field Examiners during the review of the audit period July 1, 2013 through June 30, 2014 and July 1, 2014 through June 30, 2015.

AVERAGE DAILY MEMBERSHIP (ADM) – INCORRECT REPORTING TO THE STATE

The Field Examiners determined that the School Corporation underreported actual enrollment figures for the two-year audit period by six (6) and five (5) students, respectively.

The School Corporation has contacted the Department of Education to determine the cause of the discrepancy and to seek the funding due to the School Corporation.

CURRICULAR MATERIALS RENTAL CHARGES

The Field Examiners determined that the High School textbook rental fees for the 2014-2015 school-year were approved by the School Board of Trustees, but the High School textbook rental fees for the 2013-2014 school-year were not.

The School Corporation presented the memo that was provided to the Board of School Trustees prior to the meeting on May 13th, 2013. This memo explains the textbook rental rates for grades K through 8 and the textbook rental rates for high school students. The School Corporation agrees that the high school textbook rental rates are not referred to in the Board Minutes.

The Field Examiners determined that the School Corporation did not obtain the opinion of an attorney as to whether educational fees charged violated the Indiana constitution.

The Directive to obtain an attorney opinion was issued by the State Examiner in August 2015. The receipt of the Directive was outside of the audit period and after the 2015-2016 textbook rental fees were approved by the School Board of Trustees.

The School Corporation intends to seek an attorney opinion after the 2016-2017 school-year curriculum is approved by the School Board of Trustees and textbook rental fees are determined.

The School Corporation maintains that Indiana Code 20-26-12-2 was followed when textbook rental fees were established for 2013-2014 and 2014-2015 school-years.

COLLECTIVE BARGAINING AGREEMENT

The Field Examiners stated that the School Corporation did not post the collective bargaining agreement on the School Corporation's website. In addition, the comment states, "there was no evidence that the School Corporation posted the Non-Teaching Certified Employee contracts on the school website."

The School Corporation implemented a new website the second week of January 2016. The collective bargaining agreement was available on the previous website. The collective bargaining agreement is now available on the new Portage Township Schools website, www.portage.k12.in.us. The non-teaching certified employee contracts will be available on the district website after the signed agreements have been returned to the Superintendent.

Wendy Kulczyk
Director of Finance
Portage Township Schools

PORTAGE TOWNSHIP SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 21, 2016, with Wendy Kulczyk, Treasurer; Richard Weigel, Superintendent of Schools; Andy Maletta, President of the School Board; and Dan Toleikis, Assistant Finance Director.