

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MICHIGAN CITY AREA SCHOOLS

LAPORTE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED

08/04/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001 - Financial Transactions and Reporting	4-5
Finding 2015-002 - Cash Management.....	5-6
Finding 2015-003 - Reporting.....	6-8
Finding 2015-004 - Special Tests and Provisions - Paid Lunch Equity.....	8-9
Finding 2015-005 - Reporting.....	9-10
Finding 2015-006 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles	11-12
Corrective Action Plan.....	13-17
Audit Results and Comments:	
Appropriations.....	18
Overdrawn Cash Balances.....	18
Textbook Rental Fund	18
Textbook Rental Fees	19
ECA Educational Fees	19
Credit Cards.....	19
Official Response	20
Exit Conference.....	21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lance E. Werner	01-01-13 to 12-31-16
Superintendent of Schools	Dr. Barbara Eason-Watkins	07-01-13 to 06-30-16
President of the School Board	Donald J. Dulaney	01-01-13 to 12-31-16



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 MICHIGAN CITY AREA SCHOOLS, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the Michigan City Area 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 12, 2016

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

The following deficiencies were identified in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, payroll disbursements, and financial close and reporting of the School Lunch fund. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected. Control activities should have been in place to reduce the risks of errors in financial reporting.
 - a. One person was solely responsible for all aspects of the receipt process at the School Corporation.
 - b. There was no review or approval of electronic disbursements related to the employer's share of employee benefits.
 - c. The School Lunch fund was maintained at the Food Service Department as an extra-curricular account (ECA). School Lunch fund receipts and disbursements were recorded separately from the School Corporation receipts and disbursements. Every six months, the Food Service Finance Manager completed a report of total receipts and disbursements from the ECA records and submitted the report to the School Corporation Treasurer for Indiana Department of Education reporting purposes. These six-month reports were not subjected to a review to ensure that receipts and disbursements totals were valid and accurate.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

Criteria

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

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

Cause

Management of the School Corporation had not established a proper system of internal control. An evaluation of the School Corporation's system of internal control had not been conducted. Management had not conducted a risk assessment related to the School Corporation's financial reporting and transactions.

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

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

Views of Responsible Officials

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

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: FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund's monthly cash balances were limited to the average expenditures for three months in compliance with Cash Management requirements. There was no oversight, review, or monitoring of the cash balances.

The School Corporation had not complied with the Cash Management requirements. The cash balance in the School Lunch fund exceeded average expenditures for three months during the audit period.

Context

The cash balance in the School Lunch fund exceeded the average expenditures for three months for 7 of the 24 months during the audit period. For the FY 2013-2014, the average expenditures for three months was \$1,130,378; the average ending cash balance exceeded this amount in the month of November 2013. For the FY 2014-2015, the average expenditures for three months was \$957,616; the average ending cash balance exceeded this amount for every month from January to June 2015. The largest difference occurred in June 2015 in which the excess cash balance was \$530,700.

Criteria

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

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

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

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; and . . ."

Cause

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

Effect

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

Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

We also recommended that the School Corporation comply with the Cash Management requirement.

Views of Responsible Officials

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

FINDING 2015-003 - REPORTING

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: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accurate completion of the Annual Financial Report by the Food Service Director. The report was submitted to the Indiana Department of Education without review or oversight by another employee or official of the School Corporation.

The School Corporation had not fully complied with the Reporting requirements. The cash balances reported on the Annual Financial Reports for the years ended June 30, 2013, 2014, and 2015 were inaccurate by \$46,974, \$82,014, and \$413,962, respectively. The Indiana Department of Education (IDOE) commented that the amounts reported for indirect costs were above the maximum allowed. The 2014 indirect costs reported were amended to the maximum without explanation or documentation. This was an error in reporting. The School Corporation was not reimbursed indirect costs above the maximum allowed.

Context

This applies only to the Annual Financial Reports required by IDOE. The Annual Financial Report had been inaccurately submitted for three consecutive years.

Criteria

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

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

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial Reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

Cause

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the compliance requirement for Reporting.

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

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

Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

We also recommended that the School Corporation comply with the Reporting requirement.

Views of Responsible Officials

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

FINDING 2015-004 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Years: FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education

Condition

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Paid Lunch Equity calculation was performed accurately in accordance with the compliance requirement.

Context

The calculation was made by one individual without oversight or review.

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-005 - REPORTING

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies,
Career and Technical Education - Basic Grants to States

CFDA Numbers: 84.010, 84.048

Federal Award Numbers and Years: FY12-13, FY13-14, 13-4700-4925, 14-4700-4925

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system, which would have included segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accurate completion of the Annual Final Expenditure Report (84.010) by the Deputy Treasurer and the Annual Financial Status Report (84.048) by the Program Director. The reports were submitted to the Indiana Department of Education without oversight or review. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of properly implemented internal controls over reporting applies only to each program's Annual Financial Reports.

Criteria

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

***FINDING 2015-006 - ACTIVITIES ALLOWED OR UNALLOWED,
ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years: 13-14 Cohort V, 13-14 Cohort VI, 14-15 Cohort VI, 14-15 Cohort VII

Pass-Through Entity: Indiana Department of Education

Condition

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that employees paid from grant funds were paid the correct rate or from the correct fund. There was an inadequate review and oversight process performed by the Grant Director over the completed payroll reports.

Context

The lack of properly implemented internal controls applied to all awards for both years in the audit period.

Criteria

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

MICHIGAN CITY AREA SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

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.

Views of Responsible Officials

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



Michigan City Area Schools

Opportunity ★ Excellence ★ Pride

4-12-16

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Lance E. Werner

Contact Phone Number: 219-873-2000 x8343

Description of Corrective Action Plan:

The school corporation receipt process will have responsibilities separated among the following individuals: Payroll Manager, Payroll Assistant, Financial Assistant, and Financial Secretary.

Electronic Disbursements report will be reviewed and approved by Treasurer and School Board.

School Lunch fund report of total receipts and disbursements will be reviewed and approved by Food Service Director.

Anticipated Completion Date: 5-1-16

Lance E. Werner
(Signature)

Treasurer / CFO
(Title)

4-12-16
(Date)

Finding Number 2015-004

School Food Authority will establish an internal control to ensure accuracy of calculations on the Paid Lunch Equity form.

Action Plan:

The Food service Director will complete the IDOE Price Adjustment Calculator Form. The Finance Manager will review the form for accuracy of figures, sign and date the form.

Anticipated Completion Date: Completed

Cynthia Licciardone, FSD 4-12-16
Cynthia Licciardone, FSD Date



Michigan City Area Schools

Opportunity ★ Excellence ★ Pride

4-12-16

CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Lance E. Werner
Contact Phone Number: 219-873-2000 x8343

Description of Corrective Action Plan:

The annual Final Expenditure report and Annual Financial Status report will be reviewed and approved by the appropriate Director.

Anticipated Completion Date: 5-1-16

Lance E. Werner
(Signature)

Treasurer / CFO
(Title)

4-12-16
(Date)



Michigan City Area Schools

Opportunity ★ Excellence ★ Pride

4-12-16

CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: Lance E. Werner
Contact Phone Number: 219-873-2000 x8343

Description of Corrective Action Plan:

The School Corporation will create a payroll report to be reviewed and approved by the Grant Director.

Anticipated Completion Date: 5-1-16

Lance E. Werner
(Signature)

Treasurer / CFO
(Title)

4-12-16
(Date)

MICHIGAN CITY AREA SCHOOLS
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for audit indicated that the expenditures of the Capital Projects and General funds were in excess of budgeted appropriations by \$1,431,452 for 2013 and \$5,290,679 for 2014, respectively.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OVERDRAWN CASH BALANCES

The financial statement presented for the School Corporation included the General fund with overdrawn cash balances at June 30, 2014, and June 30, 2015, of \$5,989,826 and \$4,524,662, respectively.

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)

TEXTBOOK RENTAL FUND

The School Corporation operated its textbook rental program through two extra-curricular accounts (ECA). The School Corporation also maintained a Textbook Rental fund in the School Corporation ledger and made a \$53,734 purchase from this fund. The activity and balance reported in the financial statement is comprised of the two ECA's and the School Corporation account.

Indiana Code 20-41-2-5(a) states:

"A governing body in operating a curricular materials rental program under IC 20-26-5-4(a)(12) may use either of the following accounting methods:

- (1) The governing body may supervise and control the program through the school corporation account, establishing a curricular materials rental fund.
- (2) If curricular materials have not been purchased and financial commitments or guarantees for the purchases have not been made by the school corporation, the governing body may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1."

Therefore, we are of the audit position if any school corporation funds have been used to purchase the textbooks or financial commitments or guarantees have been made by the school corporation, the textbook rental program must be operated through the textbook rental fund of the school corporation in the corporation records. (The School Administrator and Uniform Compliance Guidelines, September 2012)

MICHIGAN CITY AREA SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL FEES

In addition to the rental fee for each students' textbook, the School Corporation's extra-curricular accounts assessed textbook rental fees for teaching materials that are not intended for use by students.

Indiana Code 20-26-12-2(a) states:

"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."

ECA EDUCATIONAL FEES

The School Corporation included various supply fees including some educational fees to students as part of the textbook rental charged to each student. The High School Extra-Curricular Treasurer had not remitted the collections of the educational fees to the School Corporation's Central Office. These fees were retained in the High School Textbook Rental fund and were used to help pay expenses of that fund.

Indiana Code 20-26-4-1 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 Extra-Curricular Accounts, Chapter 6)

CREDIT CARDS

The School Corporation used credit cards to purchase items without an appropriate approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes. . . .

(Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)



Michigan City Area Schools

Opportunity ★ Excellence ★ Pride

408 S. Carroll Avenue, Michigan City, IN 46360

219-873-2000

April 12, 2016

This letter serves as our official response from the Michigan City Area Schools (MCAS) concerning our recent audit for July 1, 2013 to June 30, 2015.

For capital projects, MCAS subsequently unexpended appropriations by \$1,677,655 for budget period ended year to date 12-31-14.

Overdrawn cash balances has been subsequently reduced in the general fund to approximately \$2,688,000 as of 12-31-15 and \$1,305,0000 as of 3-31-16. Furthermore, MCAS plans to seek additional appropriations from its Rainy day fund which will positively impact the balance in the general fund.

We concur with the comments regarding textbook rental fund, textbook rental fees, and ECA Educational fees.

The school corporation policy #6423-Use of Credit Cards had already been implemented. MCAS will develop written administrative guidelines.

I appreciate the professional and courteous audit performed by the Field Examiners.

Sincerely,

A handwritten signature in cursive script that reads "Lance E. Werner".

Lance E. Werner, Chief Financial Officer

MICHIGAN CITY AREA SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 12, 2016, with Lance E. Werner, Treasurer; Dr. Barbara Eason-Watkins, Superintendent of Schools; Donald J. Dulaney, President of the School Board; and Paulette Barkow, Deputy Treasurer.