

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

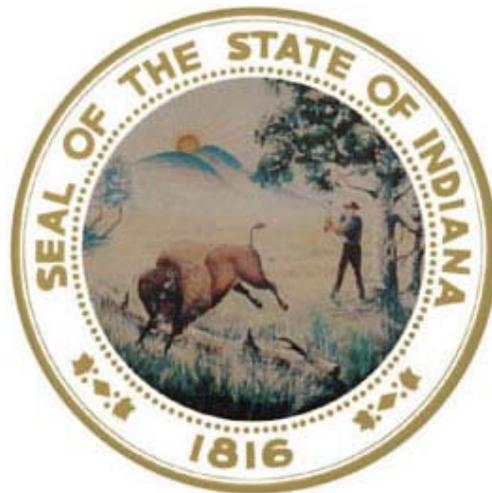
SUPPLEMENTAL COMPLIANCE REPORT

OF

MUNCIE COMMUNITY SCHOOLS

DELAWARE COUNTY, INDIANA

July 1, 2015 to June 30, 2016



FILED

09/26/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah A. Williams, CPA	07-01-15 to 01-10-17
	Bruce Perry	01-11-17 to 03-07-17
	(Vacant)	03-08-17 to 05-10-17
	Robert Coddington	05-11-17 to 05-10-18
Superintendent of Schools	Dr. Steven Baule	07-01-15 to 06-30-18
President of the School Board	Robert A. Warrner	01-01-15 to 12-31-15
	Michael Long	01-01-16 to 12-31-16
	Deborah D. Feick	01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MUNCIE COMMUNITY SCHOOLS, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Muncie Community Schools (School Corporation), for the period from July 1, 2015 to June 30, 2016. 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.

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

August 28, 2017

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS

**FINDING 2016-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which is a financial reporting system used to compile the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA contained the following errors: commodities for the National School Lunch Program were reported incorrectly; the Child Nutrition Discretionary Grants Limited Availability funds were included in the National School Lunch Program; some Special Education Cluster (IDEA) reimbursements were omitted; some School Improvement Grant-Sutt/SMS reimbursements were omitted from the Title I Grants to Local Educational Agencies program; and a Career and Technical Education -- Basic Grants to States reimbursement was omitted. The total amount underreported on the SEFA was \$151,547.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

§ 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Views of Responsible Officials

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

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (Or Other Identifying Numbers): ESEA Title I Part D - Subpart,
ESEA Title I Part D - Subpart 2,
FY 2015, SY 2015-2016 FY 2016

Pass-Through Entity: Indiana Department of Education

Condition

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

The School Corporation's time and effort logs (personnel activity reports) did not include evidence of an after-the-fact distribution of the actual activity of each employee. In addition, for one employee, the time and effort log incorrectly reported how time was split for the employee and was not signed by the employee or their supervisor.

Context

The lack of internal controls and noncompliance were systemic issues throughout the audit period. Time and effort logs were not monitored to ensure employees' time was being distributed to the proper funds based on their actual activity.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

OMB A-87 Attachment B, section 8h states in part:

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

- (a) More than one federal award,
 - (b) A Federal award and a 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.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
 - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month."

Cause

Management had not developed a system of internal controls to ensure that time and effort logs were approved by the employee or their supervisor, that time and effort logs were an after the fact determination of activity, or that time certified supported the amount of payroll charged to the program.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

**FINDING 2016-003 - ACTIVITIES ALLOWED OR UNALLOWED
AND ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Program: Supporting Effective Instruction State Grant (formerly
Improving Teacher Quality State Grants)

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 14-1970, 15-1970

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. An employee who was not a data coach was paid from Supporting Effective Instruction State Grant funds while another employee who was a data coach was not paid from Supporting Effective Instruction State Grant funds. The two employees were erroneously interchanged during the process of adding payroll funding codes. In addition, Semi-Annual Certifications were not prepared for employees who were paid solely from Supporting Effective Instruction State Grant funds.

Context

The instance of payroll funding codes being erroneously interchanged for two employees is considered to be isolated. The lack of Semi-Annual Certifications was a systemic issue during the audit period. Payroll distribution reports were not monitored to ensure employees' payroll was from the proper funds.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

OMB A-87 Attachment B, section 8h(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."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed. . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month."

Cause

Management had not developed a system of internal controls that segregated key functions such as processing payroll and monitoring payroll fund distributions.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

MUNCIE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to the grant agreement and compliance requirements listed above. In addition, we recommended that payroll distribution reports be monitored to ensure employees' payroll is paid from the proper funds.

Views of Responsible Officials

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

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FISCAL YEAR 2016 CORRECTIVE ACTION PLAN

FINDINGS 2016-001

Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action Plan: Robert K. Coddington, CFO
Contact Phone: (765)747-5222

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Before submitting any reports, one person will be responsible for collecting data and CFO will verify accuracy of data, compare to previous report, and document any significant changes to defend data.

Anticipated Completion Date: September 1, 2017



Robert K. Coddington, Chief Financial Officer

8/25/17

Date

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FISCAL YEAR 2016 CORRECTIVE ACTION PLAN

FINDINGS 2016-002

Allowable Costs

Contact Person Responsible for Corrective Action Plan: Robert K. Coddington, CFO
Contact Phone: (765)747-5222

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Line item budgets for every grant/fund will be developed by the business office and department head responsible for the grant or fund. Financials for these funds will be distributed monthly from the business office to responsible person for integrity of revenue and expenses.

Anticipated Completion Date: September 1, 2017



Robert K. Coddington, Chief Financial Officer

8/25/17

Date

Muncie Community Schools

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FISCAL YEAR 2016 CORRECTIVE ACTION PLAN

FINDINGS 2016-003

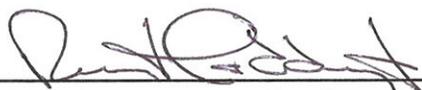
Allowable Activities and Allowable Costs

Contact Person Responsible for Corrective Action Plan: Robert K. Coddington, CFO
Contact Phone: (765)747-5222

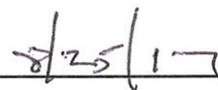
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Line item budgets for every grant/fund will be developed by the business office and department head responsible for the grant or fund. Financials for these funds will be distributed monthly from the business office to responsible person for integrity of revenue and expenses.

Anticipated Completion Date: September 1, 2017



Robert K. Coddington, Chief Financial Officer



Date

MUNCIE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

GATEWAY ANNUAL FINANCIAL REPORT SUPPLEMENTAL SCHEDULES

The Gateway Annual Financial Report for fiscal year ended June 30, 2016, contained errors in the supplemental schedules and did not properly reflect the account payable balance and the lease and debt information of the School Corporation.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2016, that were not related to a reimbursable grant fund.

A similar comment appeared in the prior Report B46278.

Fund	Amount Overdrawn
Construction	\$ 3,674
Textbook Rental	158,258
Joint Services and Supply - Special Education Cooperative	5,311,576
2015/16 Dela.-Blackford Sp. Ed.	5,366,588
2014/15 Vocation. COOP-Distr #22	941,825
2015/16 Vocation. COOP-Distr #22	1,049,967
2014/15 Opportunity School	2,753,830
2014/15 Priority School	68,746
2015/16 Opportunity School	960,567
2015/16 Priority School	311,470
Christmas Sing	3,367

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

PREPAID SCHOOL MEALS ACCOUNT

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 as required.

MUNCIE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

A similar comment appeared in the prior Report B46278.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

ERRORS ON CREDIT CARD CLAIMS

Of the credit card claims tested, 17 percent of the expenditures, totaling \$1,418, did not have adequate supporting documentation.

A similar comment appeared in the prior Report B46278.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

TEXTBOOK RENTAL FEES AND ELEMENTARY TECHNOLOGY FEE

Supporting documentation for curricular material rental fees was not sufficient to support the amounts charged for some of the calculated rental rates. Of the nine curricular material rental charges tested, seven textbooks were overcharged while two were undercharged.

Additionally, no documentation was provided to support the amount charged for the elementary technology fee.

MUNCIE COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

A similar comment appeared in the prior Report B46278.

Fees should only be collected as specifically authorized by law or properly authorized ordinances/resolutions. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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.

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

Indiana Code 20-26-4-1(d) 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)

CONTRACTUAL PAYMENTS

The School Corporation failed to make payments from its General fund to its respective Cooperative funds as required by contractual agreements with other participating school corporations for the Special Education Cooperative, the Vocational Education Cooperative, the Opportunity School, and the Priority School totaling \$10,267,875 for 2012-2013, 2013-2014, and 2014-2015. The following schedule details amounts due.

MUNCIE COMMUNITY SCHOOLS
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Purpose	Amount Due	School Year
Joint Services and Supply - Special Education Cooperative	Special Education Coop Shared Costs	\$ 202,440	2014-2015
Joint Services and Supply - Special Education Cooperative	Special Education Tuition Coop	5,631,608	2014-2015
2014/15 Special Ed Preschool	Special Education Preschool 1st half	193,875	2014-2015
2014/15 Special Ed Preschool	Special Education Preschool 2nd half	193,875	2014-2015
2014/15 Priority School	Priority School	286,000	2014-2015
2014/15 Vocation. COOP-Distr #22	Vocational Education Tuition	698,683	2014-2015
2014/15 Vocation. COOP-Distr #22	Vocational Education Shared Costs	178,761	2014-2015
2014/15 Vocation. COOP-Distr #22	Vocational Education Tuition	142,921	2012-2013 and 2013-2014
2014/15 Opportunity School	Youth Opportunity Center Tuition	<u>2,739,712</u>	2014-2015
	Total Due to Other Funds	<u>\$10,267,875</u>	

Payments made or received for contractual services should be supported by a written contract. Each unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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Prepare Now - Anticipate the Future

Re: Findings 2015/2016 001
Gateway Annual Reports Supplemental Schedules

Contact person: Robert K. Coddington, CFO/Treasurer

Views of responsible person: We, MCS concurs with the finding

Description of corrective action plan

Before any submission on Gateway the MCS Business Manager will meet with the responsible Administrator and will review data, previous year's data for accuracy prior to submission.

Muncie Community Schools

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Prepare Now - Anticipate the Future

Re: Findings 2015/2016 002
Overdrawn Cash Balance

Contact person: Robert K. Coddington, CFO/Treasurer

Views of responsible person: We, MCS concurs with the finding

Description of corrective action plan

August 1, 2017 to December 31, 2017, MCS Business Manager will transfer from General Fund all monies that MCS owes to all cooperatives, i.e., Priority School, Youth Opportunity School, Blackford County Delaware Court, Special Ed Cooperation and Muncie Area Career Center ensuring these funds will have zero cash balances as of 12/31/2017. Beginning in January 2018, these funds will be part of the 2018 General Fund budget and the other participating school payments will be receipted into the General Fund as miscellaneous revenue.

As of December 31, 2017, the Business Manager will evaluate every fund with a negative cash balance and ensure that it is a reimbursable fund with timely request of payment. If reimbursable grant has positive cash balance, the Business Manager will research and properly receipt these positive funds in the correct fund.

MuncieCommunitySchools

2500 N. ELGIN STREET • MUNCIE, IN 47303- 2241

Prepare Now - Anticipate the Future

Re: Findings 2015/2016 003
Prepaid School Meals Account

Contact person: Robert K. Coddington, CFO/Treasurer
Stephanie Bond, Chartwells, Food Service Manager

Views of responsible Person: We, MCS, concurs with the finding

Description of corrective action plan

We have set up an 8410 clearing account to deposit all prepaid monies. We are now disbursing charges from 8400 using expenditure line 31900 and receipt these monies them into fund 800 as the monies are used. This will keep an accurate record of individual accounts, Business Manager and Chartwells will meet monthly to ensure proper procedures are being utilized.

MuncieCommunitySchools

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Prepare Now - Anticipate the Future

Re: Findings 2015/2016 004
Errors on Credit Card Claims

Contact person: Robert K. Coddington, CFO/Treasurer
Brenda Newton, Assistant Treasurer, Payroll

Views of responsible person: We, MCS concurs with the finding

Description of corrective action plan:

As receipts are being compared to credit card billing, missing receipts will be addressed with card holder and a copy of facsimile will be submitted and signed by card holder. If card holder is inconsistent with returning receipts, this will lead to pulling the privilege of card use by Business Manager.

Muncie Community Schools

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Prepare Now - Anticipate the Future

Re: Findings 2015/2016 005
Textbook Rental Fees and Elementary Technology

Contact person: Robert K. Coddington, CFO/Treasurer
Cassandra Shipp, Director of Secondary Ed

Views of responsible person: We, MCS concurs with the finding

Description of corrective action plan

The Textbook Adoption Committee reviews the vendors' materials and cost of textbook. The Director of Secondary Curriculum recommends to the school board the textbook based on the majority of votes cast by each school building. In the recommendation to the school board is a total cost of the textbook and the textbook rental fee. The textbook rental fee is .25% of the retail cost of the curricular materials recommended to the board. Each year the school board is provided textbook rental fees for grades K-12 for all curricular materials. The School Board votes on the recommended rental fees based on the approval of textbook rental fee percentage scale. These changes were implemented in June 2016.

Muncie Community Schools

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Prepare Now - Anticipate the Future

Re: Findings 2015/2016 006
Contracted Payments

Contact person: Robert K. Coddington, CFO/Treasurer

Views of responsible person: We, MCS concurs with the finding

Description of corrective action plan

August 1, 2017 to December 31, 2017, MCS Business Manager will transfer from General Fund all monies that MCS owes to all cooperatives, i.e., Priority School, Youth Opportunity School, Blackford County Delaware Court, Special Ed Cooperation and Muncie Area Career Center ensuring these funds will have zero cash balances as of 12/31/2017. Beginning in January 2018, these funds will be part of the 2018 General Fund budget and the other participating school payments will be receipted into the General Fund as miscellaneous revenue.

As of December 31, 2017, the Business Manager will evaluate every fund with a negative cash balance and ensure that it is a reimbursable fund with timely request of payment. If reimbursable grant has positive cash balance, the Business Manager will research and properly receipt these positive funds in the correct fund.

MUNCIE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2017, with Robert Coddington, Treasurer; Dr. Steven Baule, Superintendent of Schools; Deborah D. Feick, President of the School Board; Robert A. Warrner, School Board member; Kathy Carey, School Board member; Bev K. Kelley, School Board member; Jason P. Donati, School Board member; and Robert J. Keisling, School Board member elect.