

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

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

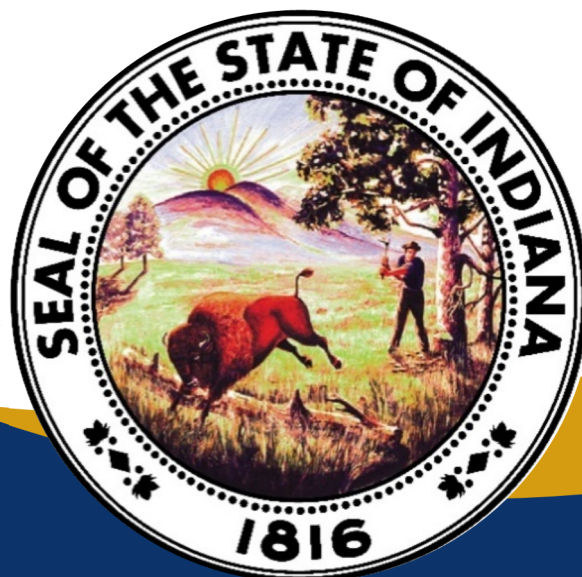
COMPLIANCE EXAMINATION REPORT

OF

MILAN COMMUNITY SCHOOLS

RIPLEY COUNTY, INDIANA

July 1, 2022 to June 30, 2024



FILED

04/02/2025



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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April 2, 2025

To: The Officials of the Milan Community Schools
Milan Community Schools
Ripley County, Indiana

This report is supplemental to the audit report of the Milan Community Schools (School Corporation), for the period July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any findings that pertain to the School Corporation. It should be read in conjunction with the financial statement audit report of the School Corporation, which provides an opinion on the School Corporation's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the School Corporation and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The findings contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the supplemental report of the Milan Community Schools prepared by Crowe LLP, Independent Public Accountants, for the period July 1, 2022 to June 30, 2024. In our opinion, the supplemental report was prepared in accordance with the guidelines established by the Indiana State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 7.

The report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner

COMPLIANCE EXAMINATION OF
MILAN COMMUNITY SCHOOLS
Ripley County, Indiana
July 1, 2022 through June 30, 2024

MILAN COMMUNITY SCHOOLS

Ripley County, Indiana
July 1, 2022 through June 30, 2024

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MILAN COMMUNITY SCHOOLS
SCHEDULE OF OFFICIALS
July 1, 2022 through June 30, 2024

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gretchen Berger	07-01-22 to 06-30-24
Superintendent of Schools	Jane Rogers Pat Murphy	07-01-22 to 06-30-23 07-01-23 to 06-30-24
President of the School Board	Edward Amberger Gregory Lewis Tim Tuttle	01-01-22 to 12-31-22 01-01-23 to 12-31-23 01-01-24 to 12-31-24



INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of Milan Community Schools

We have examined Milan Community Schools' ("School Corporation") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations* during the period of July 1, 2022 through June 30, 2024. Management of the School Corporation is responsible for the School Corporation's compliance with the specified requirements. Our responsibility is to express an opinion on the School Corporation's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the School Corporation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the School Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the School Corporation's compliance with specified requirements.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations* applicable to the School Corporation during the period of July 1, 2022 through June 30, 2024, as described in items 2024-001 through 2024-006 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the aforementioned requirements during the period of July 1, 2022 through June 30, 2024.

A handwritten signature in black ink that reads "Crowe LLP".
Crowe LLP

Indianapolis, Indiana
March 25, 2025

MILAN COMMUNITY SCHOOLS
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2022 through June 30, 2024

FINDING 2024-001: INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented

Management remediates identified issues. . . ."

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

"The state examiner shall require from every audited entity 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."

Condition: There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Receipts

The School Corporation had not separated incompatible activities related to receipts. The Treasurer issued receipts, posted receipts, and deposited collections without evidence of an oversight, review, or approval process to ensure that material misstatements would be prevented, detected, or corrected in a timely manner. During financial statement testing, receipts were identified that were either not posted timely during the audit period or were not posted at all, resulting in material adjustments to receipts and ending cash balances reported in the Annual Financial Report.

(Continued)

MILAN COMMUNITY SCHOOLS
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2022 through June 30, 2024

FINDING 2024-001: INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING
(Continued)

Disbursements

While controls surrounding disbursements are in place at the Corporation, they were not operating effectively in order to prevent disbursements from not being posted timely during the audit period or not being posted to the School's ledger entirely.

Other Financing Sources

During testing of interfund transfers in and interfund transfers out, there was one selected transfer, out of 7 total transfers selected for testing, that management was unable to provide an approved transfer resolution for. Other documentation showing the Board approved the transfer of funds was not available.

Financial Close and Reporting

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system which was the source of the School Corporation's Annual Financial Report (AFR).

The School Corporation did not properly review the financial information prepared and submitted in Gateway. Although the Treasurer input the financial information into Gateway and the Superintendent reviewed and approved it prior to submission, the internal control was not effect and did not detect and prevent errors prior to submission.

Due to the lack of effective internal controls, the payroll clearing funds were omitted from the AFR, which understated receipts and disbursements by \$3,980,004 and \$3,977,118, respectively, for the audit period. As a result, ending cash was also understated by \$2,886.

Additional adjustments were posted to receipts and ending cash balances for the two-year period resulting in an understatement of receipts and ending cash of \$120,000.

Monitoring of Controls

The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal control.

A similar comment appeared in prior report B61080.

FINDING 2024-002: SCHEDULES IN ANNUAL FINANCIAL REPORT – OTHER INFORMATION

Criteria: 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.*"

(Continued)

MILAN COMMUNITY SCHOOLS
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2022 through June 30, 2024

FINDING 2024-002: SCHEDULES IN ANNUAL FINANCIAL REPORT – OTHER INFORMATION
(Continued)

Condition: Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The information entered into Gateway contained the following errors:

Accounts Receivable

The School Corporation did not report Accounts Receivables on the Schedule of Payables and Receivables at June 30, 2024. At June 30, 2024, the School Corporation had negative fund balances totaling \$924,446 related to cost reimbursement funds which represents total outstanding accounts receivable balance. An adjustment was posted to the Schedule of Payables and Receivables to report \$924,446 in Accounts Receivable.

Leases and Debt

The School Corporation failed to report capital leases with the Milan 21st Century School Building Corporation within the Schedule of Leases and Debt. As a result, total 2024-25 future lease payments were understated by \$762,450. An adjustment was posted to the Schedule of Leases and Debt to reflect future lease payments as reported within Debt Management portal in Gateway.

The 2011 Qualified Zone Academy Bonds (QZAB) ending principal balance on the Schedule of Leases and Debt was understated by \$65,000. An adjustment was posted to the Schedule of Leases and Debt to reflect future lease payments as reported within Debt Management portal in Gateway.

A similar comment appeared in prior report B61080.

FINDING 2024-003: CAPITAL ASSETS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations states in part, *“Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records.”*

Condition: A physical inventory of capital assets was not performed during the two-year period of July 1, 2022 through June 30, 2024.

FINDING 2024-004: OVERDRAWN CASH BALANCES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations states in part, *“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.”*

Condition: During testing of cash fund balances, we noted the following fund that was not cost-reimbursement based with a cash balance below zero as of June 30, 2023 or June 30, 2024:

(Continued)

MILAN COMMUNITY SCHOOLS
 SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
 July 1, 2022 through June 30, 2024

FINDING 2024-004: OVERDRAWN CASH BALANCES (Continued)

<u>Fund</u>	<u>Amount Overdrawn June 30, 2023</u>	<u>Amount Overdrawn June 30, 2024</u>
MHS Construction	\$ 726,004	\$ -
MHS Construction 2022	443,118	-
FSA	-	1,722
Ameritas	368	65

FINDING 2024-005: STALE DATED OUTSTANDING CHECKS (WARRANTS)

Criteria: Indiana Code 5-11-10.5-2 states in part: *"All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void. . . ."*

Condition: During testing of cash, we noted checks outstanding for a period of two or more years as of June 30, 2023 totaling \$65,164 and as of June 30, 2024 totaling \$67,667.

FINDING 2024-006: MISSING GATEWAY UPLOADS

Criteria: The Indiana State Board of Accounts (SBOA) Directive 2018-1 states in part, " Beginning with July 2018 files, which will be due September 15, 2018, all cities, towns, townships, libraries, and special districts will use the Upload App to upload files containing financial and governmental unit information on Gateway to allow the State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. The Directive was amended with additional required uploads effective December 2023.

The following files and governmental unit information are required to be uploaded monthly by all units:

- Bank Reconcilements, Bank Statements, and Outstanding Check Lists
- Approved Board Minutes, please see the user guide for more information and examples
- Funds Ledger, summarizing total receipts, disbursements, and beginning and ending balances by fund

The following files and governmental unit information are required to be uploaded annually by all units:

- Year-end investment statements and register of investments
- Excel Data Capture/ Data Dump
- Detail of Receipts by fund and account
- Detail of Disbursements by fund and account
- Current year Salary Ordinance (or Schedule) and Amendments (except Schools)
- Annual Vendor History Report
- Annual Payroll History Report, without social security numbers
- Annual Funds Ledger, summarizing year-to-date total receipts, year-to-date disbursements, and beginning and ending balances by fund

(Continued)

MILAN COMMUNITY SCHOOLS
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2022 through June 30, 2024

FINDING 2024-006: MISSING GATEWAY UPLOADS (Continued)

- Accounts Payable/ Accounts Receivable Schedule support
- Direct Federal Grant Agreements/Award Letters and Amendments initiated during the year
- Agreements for Subawards made to Subrecipients for all Federal Grants initiated during the year
- Personnel Policy (to be uploaded in 2023 and in future years if updated)

Condition: During testing, we noted the School Corporation did not upload any of the required 2023 and 2024 monthly or annual documents.

This is a repeat finding from report B61080.

MILAN COMMUNITY SCHOOLS
EXIT CONFERENCE
July 1, 2022 through June 30, 2024

The contents of this report were discussed on March 25, 2025 with Gretchen Berger, Treasurer, Pat Murphy, Superintendent, and Tim Tuttle, President of the Board.