

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK

GREENE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
03/22/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2014-001 - Internal Controls Over Financial Transactions and Reporting .....	4
Finding 2014-002 - Eligibility, Reporting, and Program Income .....	4-6
Finding 2014-003 - Special Tests and Provisions - Verification of Free and Reduced Price Applications .....	6-7
Finding 2014-004 - Suspension and Debarment.....	7-8
Finding 2014-005 - Period of Availability and Reporting .....	8-9
Finding 2014-006 - Allowable Costs/Cost Principles.....	9-10
Finding 2014-007 - Cash Management, Reporting, and Period of Availability .....	10-12
Corrective Action Plan.....	13-16
Audit Results and Comments:	
Credit Cards.....	17
Overdrawn Cash Balance.....	17-18
Posting Collective Bargaining Agreement on School Website .....	18
Posting Contracts on School Website .....	18
Calculation of Textbook Rental Fees .....	19
Prepaid School Lunch Account .....	19-20
Exit Conference.....	21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela Jerrells	07-01-12 to 06-30-16
Superintendent of Schools	Mike Mogan	07-01-12 to 06-30-16
President of the School Board	Jeffrey B. Miller	01-01-12 to 12-31-16



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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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT  
OF SHAKAMAK, GREENE COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Shakamak (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://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

November 23, 2015

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** The School Corporation has not separated incompatible activities related to cash and receipts. Bank reconciliations were not subjected to a review process. Receipts were issued, deposited, and posted by the same person without review. There is also one employee responsible for issuing, recording, and reconciling receipts and disbursements for the School Lunch fund maintained in an Extra-Curricular Account fund. There is no segregation of duties, including oversight, review, or an approval process over the transactions. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places 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. Additionally, the School Corporation has 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.

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)

***FINDING 2014-002 - ELIGIBILITY, REPORTING, AND PROGRAM INCOME***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year: FY 12-13, FY 13-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and several of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Eligibility, Reporting, and Program Income.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
FEDERAL FINDINGS  
(Continued)

*Eligibility*

The School Corporation has not designed or implemented adequate controls to ensure that they publicly announce eligibility criteria per federal regulation 7CFR 245.5. Free and Reduced Meal Applications were available at registration and on the school website, but there was no notice provided to all families.

In addition, the eligibility determinations made on the Free and Reduced Meal Applications were not subjected to a review process. Currently, the application information is entered into Harmony, the software system, by the Food Service Director; the system makes the determination dependent on the information entered into the software. There is no review process over the information entered to verify the accuracy of the data.

*Reporting*

The Monthly Sponsor Claim for Reimbursements are prepared by the Food Service Director and submitted electronically via the DOE website. This report is not subjected to a review process prior to, or immediately following, submission. The Food Service Director submits the Annual Financial Report. There was no segregation of duties, such as an oversight, review, or approval process to ensure information is correctly reported.

*Program Income*

The School Corporation has not designed adequate controls to ensure that the Program Income requirement is met. There was no segregation of duties, such as an oversight, review, or approval process of the daily collections and deposits. The Food Service Director is responsible for collecting and reporting money received for meals for a food service line and also is the person responsible for counting and reporting the number of meals served. These duties should not be vested in any single individual.

The failure to establish an effective internal control system places the school 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.

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 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.

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."

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
FEDERAL FINDINGS  
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

***FINDING 2014-003 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year: FY 12-13 and FY 13-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement of Special Tests and Provisions - Verification of Free and Reduced Price Applications.

Verification of the Free and Reduced Price Applications was not performed by an individual other than the individual who made the initial eligibility determination. The verification process was completed by the Food Service Director, who completed all the initial eligibility determinations. The verification portion of the Application for Free and Reduced Price Meals was not completed on the forms, rather a post-it note was attached to the application to indicate if there was a change in the free or reduced status of the student based on the verification.

School Form No. 521 is the Application for Free and Reduced Price Meals and Other Benefits prescribed for use by the Indiana Department of Education. These applications contain sections for the determining official to document the results of the eligibility determination and sign the form. It also contains a section for documenting the verification of a sample of applications. This section requires the confirming official to certify that a person other than the determining official confirmed the eligibility determination. It also requires documentation of the verification process and the results in addition to the signature of the verifying official.

The August 2013 Eligibility Manual for School Meals Determining Eligibility and Verification (the Manual) issued by the USDA states on page 85: "CONFIRMATION REVIEWS Prior to any other verification activity, an LEA official, other than the official who made the initial eligibility determination, must review each approved application selected for verification to ensure that the initial determination was accurate."

The Manual further states on page 93: "INDIVIDUAL APPLICATIONS For each application, the LEA must keep records of the source of information used to verify the application such as wage stubs or names and titles of collateral contacts. The LEA must retain: . . . Any change in eligibility as a result of verification procedures, the reason for the change and the date the household was notified, if necessary, and the date it became effective; and records of follow-up attempts and results. LEAs should also record: Any additional information necessary to show the efforts made by the LEA to meet the verification requirements; Title and signature of the verifying official."

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
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 enabled noncompliance to go undetected. Noncompliance with these requirements could cause the School Corporation to be ineligible to receive future federal awards.

We recommended that School Corporation officials establish controls and procedures to properly complete and document the verification of student eligibility status on the Applications for Free and Reduced Price Meals and Other Benefits.

***FINDING 2014-004 - SUSPENSION AND DEBARMENT***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year: FY 12-13 and FY 13-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not designed or implemented an adequate internal control system to verify compliance with Suspension and Debarment requirements for the vendors selected for procured products.

The Department of Agriculture required the School Corporation to verify that awarded contracts exceeding \$25,000 were not with suspended or debarred entities. The School Corporation failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center at [www.sam.gov](http://www.sam.gov) was conducted; that certification from the entity was collected, or that a clause or condition was added to the contract.

During the years 2012-2013 and 2013-2014, the School Corporation made food service purchases exceeding \$25,000 from one vendor.

7 CFR 3016.35 Subawards to debarred and suspended parties states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

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."

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
FEDERAL FINDINGS  
(Continued)

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with grant requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management ensure compliance with the Suspension and Debarment requirements of the programs.

***FINDING 2014-005 - PERIOD OF AVAILABILITY AND REPORTING***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year: 12-2960, 13-2960, 14-2960  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements of Period of Availability and Reporting.

*Period of Availability*

The School Corporation has not designed adequate controls to ensure that adjusting entries made between program years were being reviewed to ensure they were within the period of availability. Minor adjustments were made to transactions recorded to the grant program to move disbursements from one grant program year to another resulting in an immaterial amount of expenses being charged to the 2013-14 program year prior to the period of availability.

*Reporting*

The monthly Request for Reimbursement reports are prepared by the Treasurer and submitted electronically via the DOE website. The requests are not verified prior to, or immediately following, submission. The Treasurer also submits the Final Expenditure Report. There was no segregation of duties, such as an oversight, review, or approval process to ensure information is correctly reported.

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

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.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
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 enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

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

***FINDING 2014-006 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year: 12-2960, 13-2960, 14-2960  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Allowable Costs compliance requirement. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

The School Corporation did not have a system in place to ensure compliance with Circular A-87 regulations for time and effort reporting. The School Corporation did not complete the required semiannual certification activity reports for Title I program personnel for either of the fiscal years. In addition, there is one employee who had Title I and non-Title I duties; this individual did not complete time and effort logs supporting their percentage of time worked on Title I duties.

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.

OMB Circular A-87, Attachment B, Section 8(h), Compensation for personal services, states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (3) 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.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
FEDERAL FINDINGS  
(Continued)

- (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."

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. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls and procedures to ensure compliance with the Allowable Costs compliance requirements of the program.

***FINDING 2014-007 - CASH MANAGEMENT, REPORTING, AND PERIOD OF AVAILABILITY***

Federal Agency: Department of Education

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

CFDA Number: 84.027, 84.173

Federal Award Number and Year: 14211-024-PN01, 14212-024-PN01, 14213-024-PN01, 14214-024-PN01,  
99914-024-PN01, 47512-024-PN01, 45713-024-PN01, 45714-024-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation is a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program and managed the Special Education grant funds.

Management of the Cooperative has not established an effective internal control system which includes segregation of duties, related to the grant agreement and Cash Management, Reporting, and Period of Availability compliance requirements that have a direct and material effect on the programs.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
FEDERAL FINDINGS  
(Continued)

The failure to establish an effective internal control system places the Cooperative at risk of non-compliance 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.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

Requests for reimbursement were prepared and filed by the Cooperative's Treasurer. The Cooperative has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared, that the expenditures submitted for reimbursement were paid prior to the request, and that all obligations for expenditures made from program funds were incurred and liquidated during the period of availability.

We noted the following instances of noncompliance:

The period of availability to obligate the funds for Award number 14211-024-PN01, FY11, was July 1, 2010 through September 30, 2012; the Cooperative had until December 15, 2012 to spend the funds obligated by September 30th.

On September 28, 2012, the Cooperative encumbered \$82,112 for an office renovation project which was going to be paid from the grant. The final reimbursement request for the grant was made by the Cooperative on December 15, 2012, and the amount claimed was \$75,724.93 which equaled the remaining unclaimed balance of the grant award amount. The documentation provided by the Cooperative to support the disbursements made for the renovation project and claimed on the reimbursement request totaled \$59,655.64 and were paid November 26, 2012 to March 12, 2013. \$16,069.19 of the amount claimed in December 2012 for the grant was not supported by actual expenditures and is considered a questioned cost. The portion of the \$16,069.19 questioned cost allocable to MSD Shakamak is \$2,024.72.

In addition, \$57,899.74 of the payments made to support the December reimbursement request were made after December 15, 2012, the cutoff date for the liquidation of obligations for the grant, and were, therefore, made outside the period of availability. The portion of the payments that are allocable to MSD Shakamak is \$7,295.37.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
FEDERAL FINDINGS  
(Continued)

34 CFR 80.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . .

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met . . . ."

31 CFR 205.12 (b) states in part:

"(5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.23 states in part:

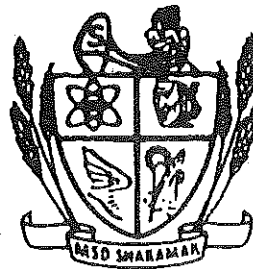
"(a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

(b) *Liquidation of obligations.* A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative.

MIKE MOGAN, SUPERINTENDENT  
PAMELA J. JERRELLS, TREASURER  
BRENDA E. CULLER, PAYROLL-DEPUTY TREASURER  
VICKI GRIFFITH, SECRETARY



BOARD OF SCHOOL TRUSTEES  
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**CORRECTIVE ACTION PLAN**

**FINDING 2014-001**

Contact Person Responsible for Corrective Action: Pamela Jerrells, Treasurer  
Contact Phone Number: (812) 665-3550, ext. 1

**Description of Corrective Action Plan:**

1. **Lack of Segregation of Duties:** The corporation treasurer will issue receipts, make deposits, and post transactions. The deputy treasurer will review the receipts, deposits, and transactions listing before the receipts are posted. The superintendent will review and approve the monthly bank reconciliations.  
The lunchroom supervisor will issue, record, and reconcile receipts and disbursements for the lunchroom account. Another lunchroom employee will review the receipts and disbursements.
2. **Monitoring of Controls:** The corporation treasurer and superintendent will develop a system of internal control, including segregation of duties, and monitor it periodically to ensure that employees are following the procedures, and that the plan is effective.

**Anticipated Completion Date:**

1. Immediately.
2. Throughout the year, as operating procedures are completed.

**FINDING 2014-002**

Contact Person Responsible for Corrective Action: Pamela Jerrells, Treasurer  
Tammy Street, Lunchroom Supervisor  
Contact Phone Number: (812) 665-3550, ext. 1

**Description of Corrective Action Plan:**

1. **Internal Controls:** The lunchroom supervisor, along with the corporation treasurer and superintendent, will develop a system of internal control, including segregation of duties, and monitor it periodically to ensure that employees are following the procedures, and that the plan is effective.
2. **Eligibility:** Free and Reduced Meal Applications will be mailed to all families that do not submit one on registration day.  
The Free and Reduced Meal Applications will be entered into the system by the lunchroom supervisor, and reviewed by the superintendent to determine eligibility.

3. Reporting: The lunchroom supervisor will prepare the monthly reimbursement report, and another lunchroom employee will review it before the lunchroom supervisor submits it to the DOE.  
The lunchroom supervisor will prepare the annual report, and another lunchroom employee will review it before the lunchroom supervisor submits it to the DOE.
4. Program Income: The lunchroom supervisor and another employee who collects money in the food service line will count each others cash drawers, and the lunchroom supervisor will issue receipts, make deposits, and post the transactions.

Anticipated Completion Date:

1. Throughout the year, as operating procedures are completed.
2. August, 2015, and throughout the school year, as students enroll.
3. Immediately.
4. Immediately.

FINDING 2014-003

Contact Person Responsible for Corrective Action: Pamela Jerrells, Treasurer  
Tammy Street, Lunchroom Supervisor  
Contact Phone Number: (812) 665-3550, ext. 1

Description of Corrective Action Plan:

Verification of Free and Reduced Applications: When applications are pulled for verification purposes, the lunchroom supervisor will obtain the necessary documents for verification, and complete the verification section of the form. The superintendent will review the verification documents to confirm the accuracy of the determination.

Anticipated Completion Date:  
September, 2015.

FINDING 2014-004

Contact Person Responsible for Corrective Action: Pamela Jerrells, Treasurer  
Tammy Street, Lunchroom Supervisor  
Contact Phone Number: (812) 665-3550, ext. 1

Description of Corrective Action Plan:

Suspension and Debarment: The lunchroom supervisor will verify compliance with the Suspension and Debarment requirements for the vendors selected for procured products exceeding \$25,000, before contracts are awarded.

Anticipated Completion Date:  
As products exceeding \$25,000 are purchased.

FINDING 2014-005

Contact Person Responsible for Corrective Action: Pamela Jerrells, Treasurer  
Contact Phone Number: (812) 665-3550, ext. 1

Description of Corrective Action Plan:

1. Period of Availability: The treasurer will make sure that adjusting entries made between program years of the Title I grants are within the period of availability, before making such adjustments.
2. Reporting: The superintendent will review the Title I monthly reimbursement reports and the annual reports before the treasurer submits the report to the DOE.

Anticipated Completion Date:

1. Immediately.
2. Immediately.

FINDING 2014-006

Contact Person Responsible for Corrective Action: Pamela Jerrells, Treasurer  
Contact Phone Number: (812) 665-3550, ext. 1

Description of Corrective Action Plan:

Allowable Costs: The treasurer will ensure that employees who have Title I duties and non-Title I duties are following the regulations for time and effort reporting. The treasurer will also ensure that the Title I Coordinator completes the required semi-annual certification activity reports for Title I program personnel.

Anticipated Completion Date:

Immediately.

FINDING 2014-007

Contact Persons Responsible for Corrective Action: Pamela Jerrells, Treasurer of MSD of Shakamak  
Mike Mogan, Superintendent of MSD of Shakamak

Contact Phone Number: (812) 665-3550, ext. 1 (MSD of Shakamak)

Description of Corrective Action Plan:

1. The treasurer and superintendent will work with the Greene-Sullivan Special Education Cooperative to ensure that they establish internal controls over cash management, reporting, and period of availability of grants.
2. The treasurer and superintendent will work with the Greene-Sullivan Special Education Cooperative to ensure that reimbursement requests are based on actual expenditures.
3. The treasurer and superintendent will work with the Greene-Sullivan Special Education Cooperative to ensure that expenditures are made within the period of availability, as stated in the grant agreement.

Anticipated Completion Date:

1. Immediately.
2. Immediately.
3. Immediately.

Mike Moyn  
Signature

Superintendent  
Title

November 23, 2015  
Date

Patricia Jewells  
Signature

Treasurer  
Title

November 23, 2015  
Date

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
AUDIT RESULTS AND COMMENTS

**CREDIT CARDS**

Credit cards were used by the School Corporation; however, the School Corporation did not present a 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.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**OVERDRAWN CASH BALANCE**

The financial statement presented in the Financial Statement and Federal Audit Report of the School Corporation included the following fund with an overdrawn balance at June 30, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Textbook Rental	<u>\$ 11,401</u>

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

***POSTING COLLECTIVE BARGAINING AGREEMENT ON SCHOOL WEBSITE***

The School Corporation failed to post the collective bargaining agreement on their website within 14 days after both parties had signed the agreement. The agreement was entered into on October 10, 2013, and it has yet to be posted to the 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."

***POSTING CONTRACTS ON SCHOOL WEBSITE***

The School Corporation failed to post the Superintendent of Schools' contract or the School Corporation Administrators' contracts on the School Corporation's Internet web site.

The governing body did not hold a public meeting on the proposed Superintendent of Schools' contract before the contract was entered into.

Indiana Code 20-26-5-4.3 states:

"(a) At least seven (7) days before a contract for employment is entered into by a governing body and a school superintendent, the governing body shall hold a public meeting on the proposed contract at which public comment is heard. The governing body is not required to disclose the identity of the candidate for superintendent at the public meeting.

(b) Notice of the meeting on the proposed contract shall be given in accordance with IC 5-3-1 and posted on the school corporation's Internet web site.

(c) The notice provided in subsection (b) must:

(1) state that on a given day, time, and place the governing body will meet to discuss and hear objections to and support for the proposed contract; and

(2) set forth the details of the proposed contract, including the actual monetary value of the contract, benefits, and any additional forms of compensation for each year of the contract.

(d) A governing body shall post the provisions of an employment contract that the governing body enters into with a superintendent of the school corporation on the school corporation'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."

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
AUDIT RESULTS AND COMMENTS  
(Continued)

***CALCULATION OF TEXTBOOK RENTAL FEES***

Invoices and supporting documentation for calculation of textbook rental fees was not available in all cases to determine if textbook rental fees were calculated correctly.

Indiana Code 20-26-12-2 states 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.

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

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

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected. (c) This section does not limit other laws."

***PREPAID SCHOOL LUNCH ACCOUNT***

The School Corporation accounted for the School Lunch fund within an Extra-Curricular Account fund. School Lunch sales activity was accounted for through the Harmony software program, which generated daily receipt reports and tracked individual student activity. A manual ledger was being maintained in which they recorded School Lunch fund receipts and disbursements; however it was not in the format of the State prescribed Daily Record of Cash Received, Form SF-2. Form SF-2 details and categorizes receipts by source and also tracks prepaid food activity and the prepaid food trust.

The Harmony software program provided a listing of account balances by student name, but did not provide a total or any reports of prepaid food activity. A balance for the prepaid school lunch account could not be determined for reconciling to the detailed student balances.

Subsidiary records by student should be routinely reconciled to the total prepaid cash balance. The manual School Food Prescribed Forms and any approved computerized forms should be maintained in the following manner to accurately account for prepaid items:

A column titled "Prepaid Food" is added to the Daily Record of Cash Received, Form SF-2, for recording prepaid amounts received which have not been identified as to revenue type, i.e., lunch, breakfast, etc. Amounts will be entered both in "Prepaid Food" and "Total Cash Received" for each day because cash has been received.

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
AUDIT RESULTS AND COMMENTS  
(Continued)

Another column "Prepaid Food Applied" is also added to Form SF-2, which will show periodic (and monthly) activity whenever prepaid meals are identified (charged to breakfast, lunch, etc.).

Amounts in "Prepaid Food Applied" should at all times equal for each day, the amounts charged to various categories, i.e., student lunch, adult breakfast, etc. that were not paid for in cash. Amounts will not be added to "Total Cash Received" because cash has been previously entered and recognized in "Prepaid Food." You are merely transferring "Prepaid Food" to the applicable categories.

The final column added to SF-2 is "Prepaid Food Trust," which is the running balance column which shows the difference between "Prepaid Food" and "Prepaid Food Applied." The amounts in "Prepaid Food Trust" are deducted from the "Balance" column in SF-3 Form, School Food Service Cash Disbursements which then should equal the amount in the new SF-3 Column "Available Cash Balance." Amounts are not entered in "Total Cash Received" because "Prepaid Food Trust" is merely a balance column. Computerized systems should provide a list, by student, of cash balances which should sum to the "Prepaid Food Trust."

The Ledger of Receipt, Disbursement and Balances, SF-4 Form should also show appropriate columns for those transactions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 3)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

METROPOLITAN SCHOOL DISTRICT OF SHAKAMAK  
EXIT CONFERENCE

The contents of this report were discussed on May 11, 2015, with Brian Stockrahm, Vice President of the School Board; Mike Mogan, Superintendent of Schools; Pamela Jerrells, Treasurer; and Brenda Culler, Deputy Treasurer.