

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MERRILLVILLE COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED

03/12/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Overdrawn Cash Balances	4
Meal Charge Policy	4-5
Prepaid School Meal Accounts.....	5
Certification and Approval of Disbursements	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Hilda Damianick	07-01-17 to 06-30-20
Superintendent of Schools	Jeffery Studebaker (Vacant) Michael Berta Nicholas Brown	07-01-17 to 10-06-17 10-07-17 to 10-31-17 11-01-17 to 06-30-18 07-01-18 to 06-30-20
President of the School Board	Thomas Bainbridge Mark Lucas Thomas Bainbridge	07-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE MERRILLVILLE COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Merrillville Community School Corporation (School Corporation), for the period from July 1, 2017 to June 30, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

February 24, 2020

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented for audit included the Prepaid Food fund with overdrawn cash balances of \$41,564 and \$98,694, as of June 30, 2018 and 2019, respectively.

Funds with overdrawn cash balances as a result of grant or payroll expenditures awaiting reimbursements were not included in this comment.

Criteria

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)

MEAL CHARGE POLICY

Condition and Context

Students without sufficient balance on their student food service account were allowed to charge meals. The School Corporation has a policy that up to three meals maximum may be charged. The School Corporation allowed negative account balances well above the maximum allowed by School Board policy.

A review of the students' individual meal account balances as of June 30, 2019, determined there were 883 accounts with negative balances totaling \$128,843. Of these, 420 accounts had a negative balance of \$50 or greater which totaled \$123,826. Furthermore, seven of these negative account balances exceeded \$1,000 each.

The amount of negative students' individual meal account balances is greater than those with positive balances, which resulted in the Prepaid Food fund overdrawn cash balance.

The School Corporation was not in compliance with School Board Policy 5.75 Meal Charge Policy which states in part:

- "1. A student may charge up to three (3) meals maximum (one charge per meal) as long as they establish and maintain a good credit history of making payments on their food service account.
2. A staff member may charge the total cost of \$3.00 as long as they establish and maintain a good credit history of making payments on their food service accounts.
3. A student who has charged a meal may not charge or purchase 'ala carte' item(s), including extra main entrees. . . .
5. . . . The food service manager or other school personnel will coordinate communications with the parent(s)/guardian(s) to resolve the matter of unpaid charges.
6. If food and nutrition services staff suspects that a student may be abusing this policy, written notice will be provided to the parent(s)/guardian(s) that if he/she continues to abuse this policy, the privilege of charging meals will be refused.

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

7. The food service manager will also send home letters each week to parents of elementary students who carry negative balances \$6.00 and above. Parents of secondary students will receive e-mails once a week with negative balance information."

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

The School Corporation properly receipted the prepaid collections from students into the Prepaid Food fund. However, the monthly meal sales paid from students' prepaid account balances were recorded in the Prepaid Food fund as negative receipts instead of as disbursements.

The gross receipts and disbursements activity of the Prepaid Food fund was reported in the financial statement.

Criteria

When a student puts money into their individual meal account, it 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 money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point, the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CERTIFICATION AND APPROVAL OF DISBURSEMENTS

Condition and Context

Disbursements for transfers were not properly supported by an Accounts Payable Voucher (APV) as required by law. Additional audit procedures were performed to substantiate the amounts. Disbursements totaling \$18,769,488 for transfers were not certified by the fiscal officer or approved by the governing board either on an APV or register of APVs.

Criteria

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

". . . (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. . . .

(e) The certification provided for in subsection (c)(4) must be on a form prescribed by the state board of accounts."

MERRILLVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2020, with Hilda Damianick, Treasurer; Nicholas Brown, Superintendent of Schools; Thomas Bainbridge, President of the School Board; and Amy Tarr, Deputy Treasurer.