

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MILAN COMMUNITY SCHOOLS

RIPLEY COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**  
06/23/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gretchen Berger	07-01-18 to 06-30-21
Superintendent of Schools	Jane Rogers	07-01-18 to 06-30-21
President of the School Board	Douglas Norman Timothy Tuttle Gregory Lewis Douglas Norman	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 06-30-21



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MILAN COMMUNITY SCHOOLS, RIPLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Milan Community Schools (School Corporation), for the period from July 1, 2018 to June 30, 2020. 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/](http://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

June 7, 2021

MILAN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROL DEFICIENCIES OVER RECEIPTS**

*Repeat Comment*

A similar comment appeared in prior Report B52984, entitled *FINDING 2018-001*.

*Condition and Context*

There were several deficiencies in the internal control system of the School Corporation related to receipts.

1. **Lack of Segregation of Duties:** 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, or detected and corrected, in a timely manner.
2. **Monitoring of Internal Controls:** The School Corporation had no process to identify or communicate corrective actions to improve internal controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal control.

*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. . . ."

MILAN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**PREPAID SCHOOL MEAL ACCOUNTS**

*Condition and Context*

The Prepaid Meals fund was not reconciled to the total of the individual student meal accounts at the end of every month for the entire audit period.

The Prepaid Meals fund balance reported on the financial statement was \$1,218 and \$2,957 greater than the total of the individual meal accounts as of June 30, 2019 and 2020, respectively.

*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)

**OVERDRAWN CASH BALANCES**

*Repeat Comment*

The same comment also appeared in prior Report B52984.

*Condition and Context*

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2019 and 2020:

Fund	Amount Overdrawn as of June 30,	
	2019	2020
Curricular Materials Rental	\$ 184,106	\$ 37,434
Rising Sun - Mhs	2,023	-
QZAB	25,931	25,931
Payroll Clearing Funds	6,303	-

*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)

MILAN COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS**

*Condition and Context*

The School Corporation did not upload any of the monthly or annually required engagement files to the Indiana Gateway for Government Units (Gateway) financial reporting system from March 15, 2019 to June 30, 2020, nor has the School Corporation uploaded any of the required documents to Gateway from July 1, 2020 to the current date.

*Criteria*

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the 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 following files and governmental unit information are required to be uploaded monthly by all units except as noted:

- 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 . . .

- Year-end Investment Statements . . .
- Detail of Receipts for the year
- Detail of Disbursements for the year
- 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
- Additionally, for Schools only: School Lunch Prepaid Account Balance Report as of June 30 Approved Salary Schedule for Noncertified Employees and Amendments . . .
- Optional: Excel Data Capture/Data Dump (in lieu of Detail of Receipts and Disbursements)  
. . .

(Amended State Examiner Directive 2018-1)

MILAN COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on June 7, 2021, with Gretchen Berger, Treasurer; Jane Rogers, Superintendent of Schools; and Gerald Gauck, School Board member.