



# Dave Yost • Auditor of State

## MANAGEMENT LETTER

Galion City School District  
Crawford County  
750 Portland Way North  
Galion, Ohio 44833

To the Board of Education:

We have audited the financial statements of Galion City School District, Crawford County, Ohio, (the School District) in accordance with *Government Auditing Standards*, as of and for the year ended June 30, 2016, and have issued our report thereon dated February 2, 2017.

*Government Auditing Standards* require us to report significant internal control deficiencies, fraud, (including noncompliance with laws and regulations), and also abuse and noncompliance with contracts and grant agreements that could directly and materially affect the determination of financial statement amounts. We have issued the required report dated February 2, 2017, for the year ended June 30, 2016.

2 CFR Part 200 subpart F requires that we report all material (and certain immaterial) instances of noncompliance, significant deficiencies, and material weaknesses in internal control related to major federal financial assistance programs. We have issued the required report dated February 2, 2017, for the year ended June 30, 2016.

We are also submitting the following comments for your consideration regarding the School District's compliance with applicable laws, regulations, grant agreements, contract provisions, and internal control. These comments reflect matters that do not require inclusion in the *Government Auditing Standards* or Single Audit reports. Nevertheless, these comments represent matters for which we believe improvements in compliance or internal controls or operational efficiencies might be achieved. Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing these recommendations. However, these comments reflect our continuing desire to assist your School District. If you have questions or concerns regarding these comments please contact your regional Auditor of State office.

## NONCOMPLIANCE FINDINGS

### 1. Distribution and Display of Public Records Policy

**Ohio Rev. Code § 149.43(E)(2)** provides "The public office shall distribute the public records policy adopted by the public office under division (E)(1) of this section to the employee of the public office who is the records custodian or records manager or otherwise has custody of the records of that office. The public office shall require that employee to acknowledge receipt of the copy of the public records policy. The public office shall create a poster that describes its public records policy and shall post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. The public office may post its public records policy on the internet web site of the public office if the public office maintains an internet web site. A public office that has established a manual or handbook of its general policies and procedures for all employees of the public office shall include the public records policy of the public office in the manual or handbook."

## **NONCOMPLIANCE FINDINGS - (Continued)**

### **1. Distribution and Display of Public Records Policy (Continued)**

The School District's public records policy is not on display in the administrative office. Furthermore, the School District does not distribute a copy of the public records policy to its employees through the employee manual or handbook.

Failure to display the public records policy or distribute a copy of the public records policy to School District employees could lead to public records violations.

The School District should ensure the public records policy is adequately displayed and all employees receive a copy of the policy.

### **2. Board Approval of Payroll Activities**

**District Policy 6510-Payroll Authorization** provides "the most substantial payment of public funds for the operation of the School District is that which is made to the employees of the Board of Education for services rendered. To insure that each person so compensated is validly employed by this School District and that the compensation remitted fairly represents the services rendered, this policy is promulgated. Employment of all School District personnel whether by the year, term, month, week, day or hour in contract, temporary, or substitute form must be approved by the Board. Each motion of the Board to employ or reemploy on a contractual basis (i.e., for a fixed period of time) shall include the name of the individual, the position title, the salary to be paid over the term of the contract and the period of employment. Each motion of the Board to employ on a temporary basis (i.e., by the hours or day) shall include the name of the individual, the position title and the rate of pay".

When performing payroll testing, the following was noted:

- Although the Board approved continued employment of administrative staff, the "2015-2016 Administrative Salary Schedule" was not formally approved by the Board.
- One employee tested did not have a formal Board approved contract or salary notice on file to support the individual's fiscal year 2016 gross salary. Alternative procedures were performed to ensure the amount paid to this employee was proper.

Failure to have pay rates and employee contracts formally approved by the Board could result in unauthorized School District expenditures.

We recommend the School District ensure that Board approval of all employee salaries and pay rates is formally documented in the minutes.

### NONCOMPLIANCE FINDINGS - (Continued)

#### 3. Expenditures Exceed Appropriations

**Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing unit from expending money unless it has been appropriated. The legal level of budgetary control for the School District is the level at which the Board of Education adopts the original appropriation measure.

The School District's legal level of control is the fund level. At June 30, 2016, total General fund budgetary expenditures exceeded appropriations by \$518,923.

Failure to have adequate appropriation authority in place at the time of expenditure may result in expenditures exceeding available resources, and resulted in deficit spending in the General Fund.

The Treasurer and Board of Education should monitor monthly budget versus actual reports to ensure expenditures do not exceed appropriations. If necessary, the Board should formally approve amendments to appropriations.

#### 4. Implementation of Federal Uniform Guidance Policies

Formal policies and procedures in place are necessary for an effective internal control environment. **OMB Title 2: Grants and Agreements; Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards Subpart D**, requires formal written policies that address the following sections:

Section	Uniform Guidance
Determining Allowable Costs	200.302 (b)(7) Written procedures for determining the allowability of costs in accordance with Subpart E - Cost Principles of this part and the terms and conditions of the Federal award.
Time and Effort	200.430 (a) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities.
Cash Management	200.302 Financial Management - Subpart D, Section (b)(6) Written procedures to implement the requirements of Section 200.305 Payment.
Evaluation & Selection of Procurement by Competitive Proposals	200.320 (d)(3) If procurement is by competitive proposals, the non-Federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.

The School District did not formally adopt the written policies as listed above until August 2016.

Failure to have policies and procedures in place could result in noncompliance with the Uniform Guidance federal requirements.

We recommend the School District formally adopt written policies that address each of the requirements as stated in the Uniform Guidance.

## RECOMMENDATION

### 1. Accurate Posting of Budgetary Amounts

The School District should accurately post to its receipt and expenditure ledgers in a timely manner, the estimated receipts as certified by the County Budget Commission and appropriations as approved by the Board of Education to allow for monitoring of budget versus actual receipts and expenditures.

At June 30, 2016, the General Fund budgeted amounts posted to the School District's accounting ledgers varied from the estimated receipts certified by the County Budget Commission and appropriations approved by the Board as follows:

	<b>Approved Amount</b>	<b>System Posting Amount</b>	<b>Variance</b>
Final Estimated Receipts	18,933,559	21,580,660	\$2,647,100
Final Appropriations	17,384,699	\$17,798,966	\$414,267

Failure to post budgeted amounts accurately results in the inability to properly monitor budgeted versus actual financial activity of the School District, and thus, may impair management's ability to detect possible errors or irregularities.

In order to use the budget as an effective management tool, we recommend the Treasurer accurately and timely post to the accounting ledgers estimated receipts certified by the County Budget Commission and appropriations approved by the Board of Education.

We intend this report for the information and use of the Board of Education, Audit Committee, and management.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

February 2, 2017