

Management Letter

Stow-Munroe Falls City School District
Summit County
4350 Allen Road
Stow, Ohio 44224

To the Board of Education:

We have audited the financial statements of the governmental activities, its major fund, and the aggregate remaining information of the Stow-Munroe Falls City School District, Summit County, Ohio, in accordance with *Government Auditing Standards* as of and for the fiscal year ended June 30, 2020 and have issued our report thereon dated February 5, 2021.

Government Auditing Standards require us to report significant internal control deficiencies and material weaknesses, fraud, and illegal acts (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 amounts. We have issued the required report dated February 5, 2021, for the fiscal year ended June 30, 2020.

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 5, 2021, for the fiscal year ended June 30, 2020.

We are also submitting the following comments for your consideration regarding the Stow-Munroe Falls City 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 report *Government Auditing Standards* requires. Nevertheless, these comments represent matters for which we believe improves the compliance or internal control or operational efficiency 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 the Stow-Munroe Falls City School District. If you have any questions or concerns regarding these comments, please do not hesitate to contact us.

Noncompliance Citations
Ohio Revised Code/Ohio Administrative Code/Uniform Guidance

- (1) Criteria: Ohio Revised Code Section 117.38(B) states the report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The auditor of state may extend the deadline for filing a financial report and establish terms and conditions for any such extension.

Condition: The District's filing was completed January 19, 2021, which is past the deadline of November 27, 2020.

Effect: Any public office not filing the report by the required date shall pay a penalty of \$25 for each day the report remains unfiled, not to exceed \$750.

Recommendation: We recommend preparation for filing begin earlier and establish set deadlines to have the report prepared and reviewed prior to filing to help facilitate a more timely filing.

- (2) Criteria: Ohio Administrative Code 117-2-02(C)(1) states that all public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted appropriation balances.

Condition: The District's appropriations for the General fund, Permanent Improvement fund, Food Service fund, Uniform School Supplies fund, Public School Support fund, Student Managed Activity fund, District Managed Activity fund, Auxiliary Services Fund, and IDEA Preschool-handicapped fund in the District's accounting system did not agree to the appropriations approved by the Board of Education in the minutes.

Effect: By not correctly recording appropriations into the financial software, it could become challenging for the District to monitor its budgeted activity in comparison with its actual amounts. The District is also at risk of overspending in excess of available funds, which could possibly result in negative fund balances.

Recommendation: We recommend that approved appropriation modifications as evidenced within the Board of Education minutes be incorporated into the budgetary system by the Treasurer in a timely manner and not be adjusted without the approval of the Board. This will aid the Board of Education and the Treasurer in their review of disbursements versus appropriations and help ensure appropriations are in place prior to disbursements.

- (3) Criteria: Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance not covered by a project cash request during the year or at year end. In addition, the General Fund must be able to cover the balance of the negative fund.

Condition: The District had a negative cash fund balance not covered by a project cash request in the following fund on October 31, 2019:

Governmental Fund	Amount
Food Service fund	\$ 58,377

The District had negative cash fund balances not covered by a project cash request in the following funds on January 31, 2020:

Governmental Funds	Amount
Permanent Improvement fund	\$ 547,071
Food Service fund	\$ 93,394
District Agency fund	\$ 1,324
IDEA Part B Grants fund	\$ 97,814
Title I Disadvantaged Children fund	\$ 121
IDEA Preschool-Handicapped fund	\$ 5,929
Miscellaneous Fed. Grand fund	\$ 6,441

The District had negative cash fund balances not covered by a project cash request in the following funds on June 30, 2020:

Governmental Funds	Amount
Food Service fund	\$ 48,396
IDEA Preschool-Handicapped fund	\$ 15,324

Effect: By having a negative fund balance, these funds have spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of fund balances.

Recommendation: We recommend the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance funds from the general fund with proper Board approval.

- (4) Criteria: Uniform Guidance 2 CFR sections 200.317 through 200.327 detail procurement requirements non-federal entities must follow for the acquisition of property or services under a Federal award or subaward (non-personnel related). The procurement methods prescribed by the Uniform Guidance and the District's policy includes micro-purchase awards, small purchases, sealed bids, competitive proposals, and noncompetitive proposals. The dollar threshold for each method is outlined in the District's policy. The District must document the reason a given procurement method was selected and the reason a given vendor was selected. This should be documented in the procurement files maintained by the District.

Condition: The District did not formally document the procurement method used nor the reason for the vendor selected. Although the District does have controls in place to ensure the costs are allowable under the Federal award or subaward, the District did not follow its procurement policy. Further, the District did perform some analysis to determine if the vendor was the most capable to provide the service paid under the Federal award or subaward, but did not document these efforts.

Effect: By not formally documenting compliance with procurement requirements in accordance with the District's policy, the District risks awarding a contract under a Federal award or subaward to an unqualified vendor or overpaying for the property or service.

Recommendation: We recommend the District follow its procurement policy and develop a system to document the reasoning behind the procurement method and vendor selected. This documentation should be saved in a location easily accessible to staff involved in the procurement process and can be in digital or physical form.

Recommendation

The District was unable to reconcile due in part to an account that closed in October of 2019 and was still being included on the bank reconciliation causing a variance of \$12,945 and due to unidentified differences of \$150. The completion of bank reconciliations that do not include closed accounts or unidentified differences is critical to financial data reporting for both the School Board and its citizens. The District is at risk of mis-postings of receipts and disbursements going unnoticed which could lead to inaccurate financial reporting and potential for misstatements. We recommend the District seek outside consulting if necessary, to perform timely monthly bank reconciliations over all accounts with zero unidentified differences and present these completed bank reconciliations to the School Board on a monthly basis for review and approval. This will help ensure the accuracy of reporting on a timely and accurate basis.

These comments are intended for the information and use of the Board of Education and management of the Stow-Munroe Falls City School District and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this communication is not suitable for any other purpose.

Julian & Grube, Inc.

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February 5, 2021