

MASSILLON CITY SCHOOL DISTRICT

STARK COUNTY

FINANCIAL ACCOUNTING REPORT

Local Government Services Division
Auditor of State's Office

**Massillon City School District, Stark County
Financial Accounting Report**

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CERTIFICATION

Pursuant to Section 3316.03(A), Revised Code, after the declaration of the existence of a fiscal emergency condition, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports of the Massillon City School District. This report states whether the School District is in compliance with Section 117.43, Revised Code and the requirements of the Auditor of State.

Section 3316.10(A), Revised Code, requires that the Board of Education of the Massillon City School District comply with the orders of the Financial Planning and Supervision Commission relating to the development of an effective financial accounting and reporting system by promptly bringing its existing system of financial accounting and reporting into compliance with Section 117.43 of the Ohio Revised Code.

Therefore, pursuant to Section 3316.03(A) of the Revised Code, a "Financial Accounting Report" is hereby submitted and certified to the Financial Planning and Supervision Commission and the Board of Education of the Massillon City School District.

JIM PETRO
Auditor of State

A handwritten signature in black ink, appearing to read "Christine L. Hansen".

Christine L. Hansen, CPA
Chief of Local Government Services

January 28, 2000

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Governance Overview

Massillon City School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

Prior to the Massillon City School District being declared in a state of fiscal emergency, the School District was operated under a locally-elected five-member Board of Education and provided educational services mandated by the State and/or federal agencies.

On September 30, 1999, the Massillon City School District was declared in a state of fiscal emergency by the Auditor of State and, accordingly, a Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05. The Commission membership consists of the following:

1. The Director of Budget and Management designee;
2. The Superintendent of Public Instruction designee;
3. A local business person appointed by the Governor;
4. A parent with children enrolled in the School District appointed by the Superintendent of Public Instruction; and
5. A Massillon resident and owner of a local business appointed by the Mayor.

The Commission has the following powers, duties and functions:

1. Review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspect and secure pertinent documents;
3. Review, revise and approve determinations and certifications affecting the School District made by the county budget commission or the county auditor;
4. Bring civil actions to enforce fiscal emergency provisions;
5. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
6. Assume responsibility for all debt issues;
7. Make and enter into all contracts necessary or incidental to the performance of its duties;
8. Implement cost reductions and revenue increases; and,
9. Develop a financial recovery plan.

A Financial Planning and Supervision Commission has been established and given the authority to assume complete managerial control of the School District. Currently, the Commission has chosen to let the District's Board of Education manage the District's day-to-day operations and review the Board's decisions. The Commission has not yet developed and adopted a financial recovery plan for the Massillon City School District.

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The Commission will continue in existence until the Auditor of State, or the Commission itself, determines that:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and
4. The School District Board has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse."

Once these requirements are satisfied and certified to the Commission or the Auditor of State, and the Governor, the Director of Budget and Management, and the County Budget Commission, the Commission will be terminated.

Upon termination of the existing fiscal emergency and the Commission, all responsibility for the management of the School District will revert to the locally-elected Board.

Auditor of State Comments

The School District should establish an audit committee to act as an informed, vigilant, and effective overseer of the accounting, internal control, and reporting processes.

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Budgetary Process

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and what type of financial resources shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted for all funds and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities, and major objects of expenditures. The process should encompass current operations and maintenance for the various school district departments, student programs, capital acquisition and replacement, and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

Statutory Requirements

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is established by the board at the object level within each function. Any budgetary modifications at this level may only legally be made by resolution of the board of education.

Tax Budget Prior to January 15, the board of education is required to adopt an operating budget for the fiscal year commencing the following July 1. The budget should include proposed expenditures and the means of financing the expenditures for all funds other than agency funds. Public hearings should be publicized and conducted to obtain taxpayers' comments. The primary purpose of this budget document is to demonstrate the need for existing (or increased) tax rates. By no later than January 20, the board-adopted budget is to be filed with the county budget commission for rate determination actions.

Estimated Resources Prior to April 1, the board of education accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the school district must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the school district treasurer.

Appropriations Upon receipt from the county auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification stating no new certificate is necessary, the annual appropriation measure must be legally enacted by the board of education. Prior to the passage of the annual appropriation measure, the board may pass a temporary appropriation measure to meet the ordinary

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expenses of the school district. The appropriations established for each fund must be within the most recent amended official certificate as certified by the county budget commission and the total of expenditures and encumbrances may not exceed the appropriations at the legal level of control. Any revisions that alter the legal level of appropriation must be approved by the board of education. The board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

Budgeted Levels of Appropriation Administrative control is maintained at the board's level of appropriation, which is generally by fund, function and object level, e.g., General Fund, Regular Instruction, Personal Services. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution. The appropriations made by the board remain fixed unless amended by the board.

Encumbrances As part of formal budget control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

School District's Budgetary Process

The Board of Education adopts an operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. Public hearings are conducted to obtain taxpayer comments. The Board adopted budget is filed with the Stark County Budget Commission. In the Massillon City School District, the Treasurer, in consultation with the Superintendent, is responsible for preparing the current year operating budget (tax budget) and for presenting the proposed operating budget to the Board for adoption. The Board of Education does not consistently adopt an operating budget prior to January 15 nor is the budget consistently filed with the County Budget Commission by January 20. In the prior fiscal year, the School District did not obtain a valid extension from the State Tax Commission for budgets filed after January 20.

The School District is required to pass a resolution to accept, certify, and authorize the necessary tax levies (tax millage rates) prior to April 1 as required by State statute. The Board of Education resolutions accepting and certifying tax millage rates and levies for fiscal year 1998 and 1999 could not be found. For fiscal year 2000, acceptance and certification was accomplished by the Board of Education on March 4, 1999.

Near the beginning of the fiscal year, the School District prepares and submits the Certificate of the Total Amount From All Sources Available for Expenditures and Balances for the Fiscal Year Ended June 30. The Treasurer requests an Amended Official Certificate of Estimated Resources, which includes any unencumbered cash balances from the preceding year, based on the Certificate of the Total Amount from All Sources Available for Expenditures and Balances for the Fiscal Year Ended June 30. The Certificate may be further amended during the year if the Treasurer identifies projected increases or decreases in revenue.

Upon receipt from the County Auditor of an Amended Official Certificate of Estimated Resources based on final assessed values and tax rates, the Board of Education historically passes a temporary appropriation measure to meet the ordinary expenditures of the School District. When preparing the temporary appropriations, the School District considers the most recent Certificate of Estimated Resources issued by

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the County Auditor as the maximum amount available for appropriation. The appropriations are based on the prior year spending and any anticipated changes. The Treasurer estimates the amount of appropriations needed which serves as a basis for the Board resolution. The temporary appropriations are then adopted and certified by the Board of Education. The temporary appropriation resolution for fiscal year 1998 could not be located. The temporary appropriation resolution for fiscal year 1999 was passed by the Board of Education on June 22, 1998 and amended on September 29, 1998. Copies could not be located in the School District's files to verify whether the appropriations were within the most recent Amended Official Certificate of Estimated Resources for fiscal year 1999. The temporary appropriations resolution for fiscal year 2000 was passed by the Board of Education on June 22, 1999 and was revised on September 28, 1999.

The Massillon City School District historically operates under a temporary appropriation measure and then normally passes a permanent appropriation measure prior to October 1. Since the School District placed a new emergency operating levy on the November 1999 ballot, a permanent appropriations measure for fiscal year 2000 was not passed prior to October 1, 1999. The School District did, however, qualify for delayed passage of a permanent appropriation measure under Ohio law. The permanent appropriation resolution for fiscal year 1999 was passed by the Board of Education on March 8, 1999. The general fund appropriations for fiscal year 1999 are in excess of the Amended Official Certificate of Estimated Resources. The required certification, Revised Code 5705.412, to be signed by the Treasurer, Superintendent and President of the Board of Education was not attached and could not be located in the files. The permanent appropriation resolution for fiscal year 1998 also could not be located. Revisions to the permanent appropriations and supplemental appropriations are approved by the Board of Education.

Historically, the temporary and permanent appropriation resolutions have been adopted at the fund, function, and object level for the general fund. Appropriations for all other funds have been adopted at the fund/object, or fund level. The Treasurer records the appropriations in the computer at the fund, special cost center, function, and object levels.

The School District has partially implemented House Bill 412 which requires the set-aside of money for textbooks and instructional materials, capital improvements and maintenance, and budget stabilization in the general fund. The reserve for budget stabilization has been partially fulfilled with the set-aside of the Bureau of Workers' Compensation refund; however, the set-aside was not properly calculated and an incorrect amount was set aside in the special cost center established within the general fund. The textbooks and instructional materials and capital improvements and maintenance reserves were not calculated or set aside.

All commitments for the expenditure of monies, except salary commitments, are encumbered to keep spending within the amounts authorized. Since salary commitments are governed by contracts, this provides an additional level of control over spending. The permanent appropriations incorporate amounts required under the contracts. The School District uses purchase orders, blanket purchase orders, and then-and-now certificates. The then-and-now certificates are rarely used. The School District does not use super blanket certificates.

Auditor of State Comments

1. The School District must pass and submit a resolution to accept, certify, and authorize the necessary tax levies (tax millage rates) to the County Auditor prior to April 1. The Board of Education action should be reflected in the Board minutes.

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2. The School District should submit the Certificate of the Total Amount from All Sources Available for Expenditures and Balances for the Fiscal Year Ended June 30 closer to the actual fiscal year end. The School District did not submit the Certificate of the Total Amount from All Sources Available for Expenditures and Balances for the Fiscal Year ended June 30, 1998 and 1999 until August of their respective years.
3. The School District should establish a separate special cost center within the general fund to account for the bus purchase allowance.
4. The School District should calculate the House Bill 412 set-aside amounts correctly.
5. The School District should establish separate cost centers or some other method to account for the House Bill 412 reserves that are to be accounted for in the School District's general fund. The reserves must be represented by restricted cash at year-end.
6. The School District should establish a filing system that will ensure that copies of all budgetary documents for the current and two preceding years are available and readily accessible.
7. The School District should compare budgeted revenues on the computer to the most recent Amended Certificate of Estimated Revenues. If the budgeted revenues on the computer exceed the amounts on the Amended Certificate of Estimated Resources, the budgeted revenues on the computer should be adjusted to match the Amended Certificate of Estimated Revenues.
8. The School District must submit requests for an Amended Official Certificate of Estimated Resources in time to receive it from the County Budget Commission prior to year end. The School District needs time to make the final appropriation adjustments and enter them into the computer prior to fiscal year end. The School District requested an Amended Official Certificate of Estimated Resources for fiscal year 1999, which was dated and signed by the members of the County Budget Commission on July 19, 1999. This certificate does not qualify to govern appropriations and expenditures for fiscal year 1999 since it was dated and issued after the end of the fiscal year.
9. The appropriations for the Bond Retirement Fund, Fund 002, exceed the Amended Official Certificate of Estimated Resources. The appropriations for the SchoolNet Equipment/Infrastructure Fund, Fund 450 and the Technology Equity Fund, Fund 454, exceed the Amended Official Certificate of Estimated Resources. The required Ohio Revised Code Section 5705.412 certification to be signed by the Treasurer, Superintendent and President of the Board of Education was not attached, and could not be located in the files.
10. For the general fund, the total appropriations on the computer exceeded the Amended Official Certificate of Estimated Resources amount available to appropriate.
11. The School District should include all required items on the Certificate of the Total Amount from All Sources Available for Expenditures and Balances for the Fiscal Year Ended June 30, to prevent the Amended Official Certificate of Estimated Resources from being inflated. This should eliminate the passage of an inflated appropriation resolution.

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12. The School District should ensure that timely appropriation changes are entered into the computer. The School District should monitor available appropriations monthly so that expenditures plus carryover encumbrances do not exceed total appropriations.
13. The School District must pass and submit the annual tax budget to the County Auditor in a more timely manner in order to receive the Official Certificate of Estimated Resources in a timely manner.
14. For the fiscal year ended June 30, 1999, the School District did not include amounts required to be shown and excluded for budget reserves as required on the annual tax budget.
15. The estimated revenue reflected in the School District's annual cash basis financial statement exceeds the estimated revenue in the Amended Official Certificate of Estimated Resources for fiscal year 1999.
16. The School District's Statement of Expenditures and Encumbrances Compared With Expenditure Authority, All Budgetary Funds For Fiscal Year 1999 on the annual cash basis financial report does not agree with the total appropriations for fiscal year 1999.

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Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. The receipt or pay-in order form should be a consecutively pre-numbered multi-part form. The receipt should bear the name of the school district and reflect the date received, the payee, amount, the purpose or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payee. All receipts or pay-in orders should be posted in a timely manner.

School District's Revenue Receipt Process

The Massillon City School District's receipts are in the form of wire transfers, checks and cash. Revenues include property taxes from the County, school foundation monies from the Ohio Department of Education, grants or entitlements from various sources, interest and miscellaneous revenues including amounts collected at the individual school buildings.

The Bookkeeper is responsible for preparing receipts and entering them into the computer. When the Bookkeeper is not available, either the Accounts Payable Clerk or the Payroll Clerk collects the money and prepares the receipt. The receipts, however, are not entered into the computer until the Bookkeeper returns.

Each receipt shows the date the receipt is written, a description of the receipt, the amount received, and the account to which the receipt is posted. The receipts are entered into the computer using the RCPROC Program.

If money cannot be deposited the same day as collected, the money is kept overnight in a locked box in a locked cabinet in the Treasurer's office.

At the end of the month a detailed revenue report is printed and kept in the Treasurer's office. The current receipt book is locked in the Treasurer's office but the other receipt books are kept in a filing cabinet next to the Bookkeeper's desk.

Building Receipts (fines and fees)

Vocational education fees, summer school fees, library fines, and workbook fees are collected at the individual school buildings by building secretaries.

The building secretaries collect the cash from the students and teachers and give them a receipt in return. The elementary and middle school deposits are made by the building secretaries. The interoffice courier makes the high school deposits for the high school secretary. When a deposit is made at the bank, a bank validated deposit ticket is given by the bank in return for the deposit. The building secretaries and the interoffice courier then send, through interoffice mail, a copy of the receipt and the bank validated deposit ticket to the Bookkeeper. The Bookkeeper prepares a receipt. The white original receipt is sent back to the building secretary and the yellow copy remains in the receipt book.

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Checks

Mail is received by the Central Office Receptionist who sorts it by office or department and places it in the appropriate mail box. An individual from each department/office picks up the mail from the receptionist. Daily, the Bookkeeper reviews the mail received in the Treasurer's office for checks.

The Bookkeeper prepares a bank deposit for the checks received in the Treasurer's office and takes it to the bank. For checks received by the elementary and middle schools, the deposits are made by the building secretaries. The high school bank deposits (except for the vocational department deposits) are picked up by the interoffice mail courier and taken to the bank. Deposits are placed in single use, sealed plastic bags when transported to the bank.

County Auditor Settlements

The School District receives tax monies from the Stark County Auditor in the form of checks. The Treasurer prepares the distributions for the tax settlements from the County Auditor. The Bookkeeper prepares a receipt using the distribution and then posts the receipt to the computer.

School Foundation

The school foundation money is wire transferred into the School District's account. The School District receives a statement from the Ohio Department of Education in the mail documenting the wire transfer. The Bookkeeper prepares a receipt for the foundation monies. The foundation receipts are posted by the Bookkeeper to the computer using the RCPROC Program.

Cafeteria Receipts

Cafeteria receipts consist of breakfast and lunch charges and government reimbursement for the breakfast and lunch programs. Breakfast is served at four elementary school buildings and two middle school buildings. Student and adult lunch and milk receipts are collected at all buildings, the seven elementary school buildings and the two middle school buildings.

Each cafeteria has a change fund. The high school has \$136 distributed among four cash registers. Each of the two middle school cafeterias has a single cash register with a \$22 change fund, and each of the seven elementary school cafeterias has a single cash register with a change fund of \$17.

The cash registers track student, free, worker, and adult breakfasts and lunches. A sub-total for student and a grand total of student and adult breakfasts and lunches is computed. Additional information is identified and reported for extra milk and ala carte meals for both students and adults.

The Head Cook in each building cafeteria reconciles the cash register tape to the cash drawer and prepares deposit slips in triplicate after the breakfast meal and again after the lunch meal. A separate deposit slip for each type of meal served at each building is prepared. The type of meal and the building are written on the deposit slip receipt. She also prepares a Daily Breakfast and Lunch Count form from the cash register tape. The Head Cook places the money along with a copy of the deposit slip into a single use, sealed plastic

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money bag. The money bags are picked up daily from each building by a bonded courier and taken to the bank to be deposited into the School District's cafeteria account. If the courier is absent, a cook is designated to pick up the money bags and take them to the bank. Fifteen to nineteen deposit slips are generated daily.

The cash register tapes are retained on file at each of the building cafeterias. The deposit slips which are prepared in triplicate are distributed as follows: the white original is retained by the bank, the yellow copy is retained by the Food Service Director, and the pink copy is sent to the Bookkeeper in the Treasurer's office. A copy of the Daily Breakfast and Lunch Count form is also sent to the Bookkeeper.

The Bookkeeper gives the pink deposit slips to the Receptionist/Food Service Secretary and the Daily Breakfast and Lunch Count forms to the substitute secretary. The Receptionist/Food Service Secretary is a full time employee assigned to work four hours daily as the cafeteria secretary and four hours daily as the receptionist. The Receptionist/Food Service Secretary prepares a calculator tape of the deposit slips and compares the totals to the summary compiled by the substitute secretary from the Daily Breakfast and Lunch Count forms to ensure that all monies are deposited.

The bank processes the deposit and validates the deposit slips. The next day, the courier picks up the validated deposit slips and gives them to the Receptionist who places them in the Bookkeeper's mail box. Cafeteria receipts are received and processed on a daily basis by the Bookkeeper. The Bookkeeper prepares a calculator tape for the total of all receipts and an allocation with subtotals by type of meal (B for breakfast, S for student, and A for adult) to verify that the amount is the same as the amount deposited. The Bookkeeper then prepares a receipt and enters the total into the computer .

Invoiced Receipts

Invoices to other entities for expenditures that are reimbursable to the School District are currently being processed by a consultant. The Bookkeeper prepares the receipts and posts them on the computer.

A Facilities Permit form must be completed for use of facilities. The forms are kept in the business office. Monies are collected, for recurring rentals, a day in advance in the business office. Other rental fees are billed after the close of the month in which the event occurred. Deposits are not required. If necessary, a second request for payment is sent.

The Business Office prepares a receipt for monies collected and sends a copy of the receipt to the Treasurer's office along with the money collected. The Treasurer's office then prepares a receipt and posts it to the computer. The white original of the receipt is returned to the Business Office and attached to the office file copy of the receipt.

Student Activities

Student activities monies are collected by the activity advisor. A "pay-in" sheet is generated by the advisor and photo copied to result in an original and three copies.

The advisor retains one copy, one copy is given to the building secretary, one copy is given to the courier along with the deposit for the bank, and the original is given to the Accounts Payable Clerk who processes receipts for student activities. All pay in sheets are retained by the Accounts Payable Clerk until the courier brings a copy of the pay-in sheet and the deposit ticket receipt from the bank. These are matched to the

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original. The original is retained and the copy from the courier is destroyed. If a deposit ticket receipt is not received by the end of the week, the advisor is called. Usually, this results from more money being received by the advisor that day, which causes a new “pay-in” sheet to be prepared for the additional money. The original copy with the incomplete information is destroyed.

The bank calls the Accounts Payable Clerk when the deposit does not match the “pay-in” to determine how to handle the transaction.

The Accounts Payable Clerk prepares the School District receipt. The white original is attached to the “pay-in” sheet and the yellow copy remains in the receipt book. The deposit ticket receipt is attached to the yellow copy in the receipt book. The white original attached to the “pay-in” sheet is maintained in numerical sequence in a folder for the month.

The student activity receipt is entered into the computer by the Accounts Payable Clerk using the RCPROC program. The receipt includes the amount, date, name of the student activity, receipt number, fund, and special cost center (SCC).

At the end of the month, a report is generated for the receipts posted which is checked against the receipts in the receipt book by the Bookkeeper. The report is then maintained in the monthly receipt folder.

At month end, an account status report (ACCTSTS) is generated for each active student activity. A report is sent to each advisor to check the reports, receipts, and to balance their books. A main ACCSTS report is kept in the Treasurer’s office for the school year. Prior year reports are sent to storage.

Athletic activities:

Middle School: The students pay athletic fees to the building secretary. A receipt is prepared for all athletic activities by the building secretary. The receipt is stapled to the deposit ticket receipt and sent to the Accounts Payable Clerk who prepares a receipt and enters it into the computer. The deposit ticket receipt is attached to the yellow copy in the receipt book. The white original is maintained in numerical sequence in a folder for the month. The building secretaries make the bank deposits.

High School: For athletic events held at the high school or stadium, the receipts are prepared by the ticket office. The Ticket Office Supervisor prepares the receipt and makes the bank deposit for monies collected in the ticket office, events held at the high school, and events held at the stadium.

The receipt is sent through the interoffice mail to the Accounts Payable Clerk and the courier brings the deposit ticket receipt from the bank. A receipt is prepared in the receipt book and entered in the computer by the Accounts Payable Clerk. The deposit ticket receipt is attached to the yellow copy in the receipt book. The white original is maintained in numerical sequence in a folder for the month.

At the end of the month, a report is generated of the receipts posted which is checked against the receipts in the receipt book. The report is then maintained in the monthly receipt folder.

At month end, a budgetary summary report (BUDSUM) is generated for all athletic accounts. The report is kept in the Treasurer’s office.

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Auditor of State Comments

1. Mail being delivered to the Treasurer's office should be monitored closely and stamped with the date and time.
2. Another employee in the Treasurer's office should be trained to enter receipts into the computer when the Bookkeeper is not at work.
3. The School District should combine the daily bank deposits for each cafeteria into one daily deposit.

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Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing process should be integrated with the budget. The process should include an authorization of need and selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the treasurer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Authority to Contract - School district contracts are made by the board of education and executed in the name of the school district by the superintendent and treasurer, except as otherwise specified by statute.

Major Contracts - Substitute House Bill 412 provides guidelines for estimating revenues when completing the certificates under section 5705.412, Revised Code. This section requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel, programs and services essential to the provision of an adequate educational program for a specified number of days. The certification of adequate revenues must be attached to all negotiated agreements, contracts for benefits, increased salary or wage schedules and construction contracts. In general, the certificate covers the remainder of the current fiscal year and two succeeding fiscal years or the term of the contract, whichever is longer. Obligations that do not have a certificate of adequate revenues as required are considered void and no payments may be made on void obligations.

Bidding - All school district contracts calling for expenditures in excess of \$25,000, must be in writing and made to the lowest responsible bidder. The board of education must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Acquisition of educational materials used for teaching;
2. Any item which the board, by a two-thirds vote, determines is available and can be obtained only through a single source;
3. Energy conservation projects may be excluded upon declaration of the board by a two-thirds vote; and
4. Acquisition of computer software or hardware for instructional purposes pursuant to Section 3313.37 (B)(5), Revised Code.

Routine Purchasing - Section 5705.41 (D), Revised Code and other State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the school district that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance.

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The treasurer may prepare blanket purchase orders for authorizing obligations for a particular purpose over a three month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any specific appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

“Super” Blanket Certification of the Availability of Funds - The super blanket certification permits the fiscal officer to certify amounts greater than \$5,000. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained by the fiscal officer.

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

Then and Now Certificate - The treasurer’s certification is required to be secured at the time a purchase order is issued or a contract is executed. If prior certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such a contract and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. The board has thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the school district.

Amounts of less than \$1,000 may be paid by the treasurer without such affirmation of the board of education upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the board.

The following certification requirements also regulate purchases by school districts; however, determination must be made whether the contract is subject to Section 5705.412, Revised Code:

Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year - Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made needs to be certified (1987 Op. Atty. Gen. 87-069).

Per Unit Contracts - Where contracts are entered into on a per unit basis, only the amount estimated to become due in the current fiscal year needs to be certified (1987 Op. Atty. Gen. 87-069).

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Contract or Lease Running Beyond the Termination of the Fiscal Year Made - Pursuant to Section 5705.44, Revised Code, where a contract or lease runs beyond the termination of the fiscal year in which it is made, only the amount of the obligation maturing in the current fiscal year needs to be certified. The remaining amount is a fixed charge required to be provided for in the subsequent fiscal year's appropriations.

The administrative rules adopted under Chapter 117, Revised Code, require the use of purchase orders and the following:

- a. All purchase orders shall be numbered consecutively.
- b. The purchase order shall be prepared by the purchasing authority. Two copies shall be forwarded to the treasurer who shall complete and sign the certificate and forward one copy to the vendor. The treasurer's copy shall be used for posting in the appropriation and authorization ledger as provided in rule 117-2-13 of the Administrative Code. The third copy remains with the purchasing agent. This third copy serves as a receiving report and is returned to the treasurer once the item(s) are received and verified. The third copy of the purchase order is also attached to the voucher along with the invoice.
- c. Each executed purchase order/requisition must contain the date, appropriation fund code classification, executed treasurer's certificate, quantity and description of goods or services. When a blanket certification has been authorized, the purchase order indicates the blanket certification, the effective date of the certification, and the amount.

School District's Purchasing Process

The Board of Education has established a purchasing policy which includes the following requirements:

1. The Treasurer or Business Manager seeks at least two price quotations on purchases of more than \$5,000 for a single item. The only exceptions to this policy are in cases of emergency.
2. When the Board determines to build, repair, enlarge, improve, or demolish a school building, the cost of which will exceed \$25,000, the Treasurer shall obtain competitive bids. The Board must approve all contracts resulting from competitive bids prior to the contract being awarded.
3. The Treasurer or Business Manager estimates requirements for standard items or classes of items and makes quantity purchases on a bid basis to procure the lowest cost consistent with good quality.
4. The Treasurer must verify, before approving a purchase order, as to whether the proposed purchase is subject to bid and whether sufficient funds exist in the budget.
5. Any employee ordering or purchasing supplies or services without following the procedures will be liable for the cost of purchases.

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The School District uses purchase orders and blanket certificates but does not use super blanket purchase orders. The then-and-now certificate is used when the invoice is less than \$1,000 and no purchase order was previously issued. The School District stamps a regular purchase order with a then-and-now certificate stamp to differentiate them.

The Treasurer reviews each requisition to determine if the purchase is for a valid purpose, that the proper account codes are being charged, and that adequate funds are available before approving the requisition. Both requisitions and purchase orders are reviewed for correct pricing, additional charges, and shipping.

The Business Office purchases custodial, routine maintenance, cafeteria, educational supplies and materials, and various other materials for the School District. The School District maintains supplies in a central storeroom from which items are delivered to the buildings as needed. Materials and supplies are received in the central storeroom and then checked against the purchase order for the correct items and quantities.

The Business Office also purchases non-stock items such as repair parts and services for building and bus maintenance. At the start of the fiscal year, the Business Office prepares requisitions on an annual, semi-annual, and quarterly basis for items that are frequently used by the maintenance department and for recurring purchases. Requisitions are prepared annually for equipment maintenance agreements and contract services such as typewriters, elevator and boiler inspections and repairs, pest control services, fire alarm monitoring, insurances, and pool operations. Requisitions are prepared on a semi-annual basis for computer lease agreements, conversions from heat to air conditioning in late spring, and conversions from air conditioning to heating in the fall. Quarterly requisitions are prepared for sewer, waste treatment, and fire extinguisher services and travel expenses.

The requisition is a one part form which is computer generated and photocopied as needed. The Executive Secretary enters the requisition in the computer through the requisition screen (SPARCC). The requisition number, date, vendor name, ship to, quantity, item description, item number, dollar amounts and account codes are entered. The requisition is printed and signed by the Business Manager. The signed requisition is sent to the Treasurer's Office and the Business Office retains a copy of the requisition.

All requisitions must be entered into the computer by the building secretary or department secretary using the REQSCAN program. The individual entering the requisition prints a copy. The requisition is signed by either the building principal, department supervisor, or by the Superintendent and it is then sent to the Treasurer for review. If there are questions or missing information, the requisition is returned to the initiator. If only the account codes are incorrect, the Bookkeeper will make the corrections. If the requisition is correct, the Treasurer initials it and gives it to the Bookkeeper to generate the purchase order.

The Bookkeeper converts the requisition into a purchase order using the PORQ program in the computer. The program allows the bookkeeper to make corrections, such as account code changes, directed by the Treasurer. The School District does not use manual purchase orders.

The purchase order is a four part form that must be signed by the Treasurer and then the Superintendent. After the purchase order is signed, it is returned to the Bookkeeper. The Bookkeeper separates the purchase order and distributes it as follows:

1. The white original is sent to the vendor;
2. The pink copy is filed numerically in an open purchase order file in the Treasurer's office;
3. The yellow copy is given to the Accounts Payable Clerk who files it alphabetically by vendor to match it later with the invoice;

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4. The gold copy is sent to the department that originated the requisition.

New vendors are not entered into the computer and assigned a number until either a Taxpayer Identification Number (TIN) or Social Security number is provided along with other vendor information.

Purchase orders are canceled by the Bookkeeper or the Accounts Payable Clerk when verbal authorization is received from the purchase initiator. Canceled purchase orders are filed numerically in the Treasurer's office.

The School District does not have procedures for bidding other than to require bids be opened by the Treasurer.

Auditor of State Comments

1. The Board of Education should include the requirement in its purchasing policy that no purchase shall be made without the authorization of the Treasurer as evidenced by the Treasurer's signature on a purchase order.
2. The Treasurer should establish specific guidelines for requisitions and purchase orders. The guidelines should include detailed procedures designed to ensure compliance with all budgetary and purchasing requirements established in the Revised Code and Ohio Administrative Rules. The procedures should include disciplinary sanctions against violators. The Board of Education should require strict enforcement and provide strong backing of the procedures.
3. Purchase orders should be entered into the computer daily as they are approved. The Treasurer, Business Manager, Assistant Treasurer, Accounts Payable Clerk, department heads and others could then look up the amounts available and find the most current information.

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Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the school district. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A check should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), and a properly executed certification by the treasurer that there is adequate cash in the fund to pay the obligation. All checks should be signed by the treasurer and posted in the appropriate accounting records. Vouchers should be filed numerically or by vendor.

State law places the following requirements on the disbursement of funds:

Restrictions - Money is drawn from the school district treasury only for appropriations enacted by the board of education. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the school district of a certificate of the treasurer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the school district may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the board if such expenditure is otherwise valid.

The administrative rules adopted under Chapter 117, Revised Code, define a voucher and the information to be disclosed thereon as follows:

- a. A “voucher” is a written order authorizing the drawing of a check in payment of a lawful obligation of the school district.
- b. The date, purchase order number, account code, amount, and other required information must be entered in the appropriate space or column provided on the form.
- c. Vouchers are required to be in the prescribed form, but may vary from this standard form to meet the individual requirements of the school district.

School District’s Cash Disbursement Process

After the goods have been received, the packing slip must be signed and an OK-to-Pay form must be completed. A form must also be completed when a packing slip was not received with the goods. The form verifies the receipt of the goods. If a signed packing slip or an OK-to-Pay form has not been received for an invoice, an OK-to-Pay form is sent to the person named in the “deliver to” field on the purchase order to

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determine if the goods were received. If the goods were received, the yellow copy of the purchase order, OK-to-Pay form, and packing slip are attached to the original invoice and placed in the stack of invoices to pay.

Invoices that exceed the purchase order amount are given to the Treasurer for review. If an additional purchase order is required, it goes through the normal requisition and purchase order process prior to authorization by the Treasurer.

Checks are issued on the 15th and 30th of the month. The first invoices to be processed during the month are the monthly vendors. Invoices are sorted and filed alphabetically by vendor until they are to be paid. Twice a month, invoices are matched to the yellow copies of the purchase orders. Invoices that have been received after the first check run of the month are processed with the second check run of the month. The School District writes checks for student activities expenditures from the student activities checking account, for cafeteria expenditures from the cafeteria checking account, for payroll from the payroll checking account, and for non-public schools from the auxiliary checking account. All other checks are written from the general checking account.

The APE program is used to enter information into the computer for the checks. The information is processed using the CKPROC program and the checks are printed using CKPROC_CHK.TXT, on three part, pre-numbered checks. The checks are signed using a check signor. The School District uses a manual check signor. Once checks are printed, they are distributed as follows:

1. The original check and a copy of the invoice are sent to the vendor;
2. The yellow copy of the check is attached to the yellow copy of the purchase order, original invoice, OK-to-Pay form, and packing slip to form the voucher packet. The voucher packets are filed numerically by check number;
3. The blue copy of the check is filed numerically for the month.

Manual checks are entered into the computer once a month just prior to month end closing.

One box of checks is locked in a cabinet in the Treasurer's office. The Treasurer's office is locked at night and any time the office personnel are not in the office. Additional boxes of checks are taken as needed from the locked storage closet.

During the football and basketball seasons, checks are processed weekly for officials and contract workers. Coaches must complete and sign an Official Voucher form, before an official will be paid. The forms are delivered to the Accounts Payable Clerk by the Athletic Department Faculty Manager. Since the School District prepares a purchase order for each athletic contest, the Accounts Payable Clerk puts the purchase order with the signed Official Voucher form and processes the check. After the check is signed, it is mailed to the official.

Invoices for the cafeterias and the auxiliary services are processed at the same time. When the invoices for auxiliary services are paid, the purchase order is photocopied and sent to the auxiliary services secretary.

Various reports are run as part of the month end closing process. In addition to the standard month end reports, the USARPT program provides an account status report that is printed monthly. The School District prints two copies of the report. The School District also prints the BUDSUM.TXT report at the end of the month for the athletic funds. The report provides month-to-date and fiscal year-to-date appropriation and expenditure status by appropriation account. The reports are given to the Treasurer.

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1. The Treasurer should evaluate the need for a separate student activity, cafeteria, and non-public school auxiliary checking account. The student activity, cafeteria, and auxiliary monies are accounted for in separate funds in the School District's records but are not required to be kept in separate bank accounts. The extra bank accounts create additional record keeping and provides more opportunities for error.
2. The School District should ensure all aspects of the invoice processing and matching functions are entered into the computer daily.
3. The School District should establish a cash flow monitoring procedure for determining which invoices are to be paid and when, such as within seven days or thirty days from invoice date, and possibly file invoices by due date, and discount date.
4. The School District should enter manual checks into the computer on the day they are issued, not once a month.
5. The School District does not have written procedures for the Accounts Payable Clerk position. Written procedures should be in place for the Accounts Payable Clerk position in the event someone who is not trained in that position would be required to step in for the current Accounts Payable Clerk.

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Payroll Process

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, the gross and net compensation for the pay period and the year-to-date. Standard deductions such as pension, medicare, federal and state taxes, should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the School District should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official. Payment of deductions and the related employer obligations should be within the time established and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by federal and/or state laws.

The following State statutes apply:

Section 5747.06, Revised Code, requires collection of Ohio income tax by employers.

Sections 3307.01, 3307.381, 3307.51, 3307.53, and 3307.56, Revised Code, for State Teachers Retirement System (STRS) and Sections 3309.23, 3309.341, 3309.47 and 3309.49, Revised Code, for School Employees Retirement System (SERS), require school districts to enroll most of their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

Section 3319.141, Revised Code, for certified school employees and Section 3319.084, Revised Code, for classified employees, provide for minimum vacation and sick leave to be granted to affected employees (the school districts generally may provide more than the minimum), and indicate the procedures for paying the employees for leave balances credited to them upon separation from service.

Sections 3311.19 and 3313.12, Revised Code, for school board compensation and mileage; Section 3313.24, Revised Code, for compensation of school treasurers; Section 3319.01, Revised Code, for appointment and duties of superintendent (including compensation); Section 3319.02, Revised Code, for appointment, evaluation, renewal, and vacation leave of other (school) administrators; Section 3319.08, Revised Code, for teacher employment and reemployment contracts; Section 3319.10, Revised Code, for employment and status of substitute teachers; and, Section 3319.081, Revised Code, for contracts for non-teaching classified employees, provide authority for appointment and/or compensation of officials and employees of a School District.

School District's Payroll Processing Procedures

The School District processes payroll checks on a bi-weekly basis for approximately 675 full and part time employees.

Salaried employees, teachers, tutors, and administrators, are paid based on contracts approved by the Board of Education. The Board of Education also approves a rate schedule for substitutes. The contracts are retained as part of the permanent payroll records. Teachers and tutors have the choice of being paid their annual contract salary over 26 or 20 pays.

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Once contracts are approved and signed by the Board of Education, they are given to the Payroll Clerk to enter into the payroll system. The Payroll Clerk retains a copy of the minutes to support the contract amounts and pay frequencies.

All current employee contracts are maintained in a contract file near the Payroll Clerk. Contracts for prior years are boxed, labeled, and locked in a file storage room. All payroll records including W2's, month-to-date, fiscal year end, and calendar year end reports produced by the computer are also boxed, labeled, and locked in the file storage room.

The Payroll Clerk prepares payroll calendars and enters them into the computer for each job type to determine working days, vacation, and non-working days for all employees.

Contracts for salaried employees are entered into the computer in August to begin the new contract year. The contracts are entered through the NEWCONTRACT program and then purged. Purging refers to moving the new contracts into the active payroll file from a computer holding file for the first payroll on the new contracts. The purge occurs after the month of July is closed out. The contract amounts for full-time, twelve month employees are divided by the number of pay periods in the year to calculate their salaries for each pay period.

Custodians, secretaries, bus drivers, and cooks are given salary step increases when they are designated in the union contracts.

All full-time employees, whose employment is based on the number of school days, are granted fifteen sick days per year. Sick days can be accumulated up to a maximum of 240 days. These employees also receive three personal days per year. Personal days that are not used by the end of the fiscal year cannot be carried forward into the next fiscal year. Personal days must be requested and approved in advance.

Only full-time twelve month employees are eligible for vacation time. The amount of vacation granted an employee is based the employees contract and years of experience. Vacation time must be requested and approved in advance.

When a teacher needs to take leave time, a Professional Personnel Individual Absence Report form must be completed and approved by the building principal. A copy of the Professional Personnel Individual Absence Report form is made after it is approved. The copy is retained on file at the teacher's school building and the original is forwarded to the Superintendent's Administrative Assistant. The Superintendent's Administrative Assistant enters leave time used by certified staff into the computer.

All leave time is recorded on a Classified Personnel Individual Absence Report for classified employees. The form must be approved and signed by the building principal or the employee's supervisor. The leave forms are sent through the interoffice mail to the Payroll Clerk. The Payroll Clerk enters the information from the forms into the computer. Each pay period, after the information from the Classified Personnel Individual Absence Reports and the Professional Personnel Individual Absence Report is entered into the computer, the Payroll Clerk generates a report listing the outstanding balances. The Payroll Clerk also keeps a ledger of leave time taken by all employees that is supported by the leave time sheets. It is used to reconcile the computer printout.

Certified and classified employees must complete an Hourly Time Sheet form for a two week pay period. The Hourly Time Sheet form lists the employee name, classification, work station, building, day, date, starting and ending hours worked, and leave with pay which includes sick, personal, or vacation leave. The

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form indicates temporary classification changes. For example, if an employee substitutes for another employee, the form is marked with the hours worked in the temporary classification. The Hourly Time Sheet also reflects approved overtime from the Overtime Pre-Approval form. An Overtime Pre-Approval form must be approved by the building principal or department supervisor, Superintendent, and Treasurer before the overtime is worked. Overtime is paid in the pay period it is earned. Usually, only custodians and secretaries work overtime. The Hourly Time Sheet form is given to the building principal or the employee's supervisor who reviews, signs, and dates it. The Hourly Time Sheet and Overtime Pre-Approval forms are then given to the attendance secretaries.

The School District has two attendance secretaries, one for certified staff and one for classified staff. The Hourly Time Sheet forms for classified staff are sent through the interoffice mail to the attendance secretary in the Business Office. The attendance secretary checks that a Classified Personnel Individual Absence Report has been completed and is signed by the building principal or the employee's supervisor documenting any leave time shown on the Hourly Time Sheet and that the two forms agree. The attendance secretary then checks that the forms agree to the amount of sick, vacation, and personal leave used. The attendance secretary also checks that the amount of overtime on the Hourly Time Sheet agrees with the Overtime Pre-Approval form. The attendance secretaries enter the overtime information into the payroll program on the computer.

The Hourly Time Sheet and Overtime Pre-Approval forms are given to the Payroll Clerk who enters the information on the Payroll Record forms. The Payroll Record form reflects all information for all pay dates in the school year, starting from the second pay in August through the first pay in August the following summer. A Payroll Record form is kept for all hourly employees. The Payroll Record form lists the school year, employee name, salary or rate, position, location, building or department, employee number, and anniversary date at the top. There is a row for each pay period and a column for sick leave, personal leave, unexcused time, hours, rate, overtime hours and other earnings. Other earnings are separated into columns for hours, account codes, and hourly rates. The Payroll Clerk reconciles the Payroll Record form to the Hourly Time Sheet.

The certified staff attendance secretary in the Superintendent's office tracks work schedules for certified substitutes and then generates a summary report for each pay period. The classified staff attendance secretary in the business office tracks work schedules for all classified substitutes and then generates a summary report each pay period. The reports generated by the two attendance secretaries include the dates worked and the names of the individuals who worked as substitutes in a two week pay period.

Substitute monitors and aids prepare a two week Hourly Time Sheet that is initialed by the building principal each time the individual works as a substitute. The Hourly Time Sheet forms are given to the classified staff attendance secretary at the end of the pay period to be reviewed. The classified staff attendance secretary reviews the Hourly Time Sheet forms and gives them to the Payroll Clerk to record the time on the Payroll Record form and enter the hours into the computer.

Tutors are salaried employees who are paid over either 20 or 26 pays. Home tutors must submit a Home Instruction Time Sheet form to the Pupil Services Office. The Home Instruction Time Sheet forms are approved by the Pupil Services Supervisor and forwarded to the Payroll Clerk to record the time on the Payroll Record form and then enter the hours into the computer.

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Adult Basic Learning and Education (ABLE) employees must prepare Hourly Time Sheet forms. The forms must be approved by the ABLE Coordinator. After the forms are approved, they are forwarded to the Payroll Clerk who records the time on the Payroll Record forms and then enters the hours into the computer.

Student workers are employed in various jobs such as student secretaries and Ohio Work Association (OWA) programs. Each student worker employed in an OWA program prepares an Hourly Time Sheet form that must be approved by the program coordinator. Student workers employed as student secretaries must also prepare an Hourly Time Sheet form. The building principal must approve all Hourly Time Sheet forms. After they are approved, they are forwarded, via the interoffice mail, to the Payroll Clerk who records the hours worked on the Payroll Record form and then enter the hours into the computer.

The Payroll Clerk enters leave time for an auxiliary school nurse based on information provided by the auxiliary school secretaries.

All payroll information must be received by the end of the day on the Wednesday prior to the week the pay will be distributed. Changes to employee information such as rate increases, account code corrections, and number of exemptions along with new employee information is entered first.

Once all payroll information has been entered into the computer, payroll processing can begin. The Stark/Portage Area Regional County Consortium (SPARCC) provides payroll software to the School District. The School District runs the following payroll programs in the order listed:

1. The INICAL program that initiates the payroll period is run first. The Payroll Clerk verifies the balances against the ending balances from the last pay.
2. After verification, the UPDICAL_CUR program is run. The UPDICAL program adds the current pay to the gross pay. The UPDICAL screen is used to enter hourly employee information from the Hourly Time Sheet forms.
3. When all pay information has been entered from the Hourly Time Sheet forms, the PAYSUM program is run. PAYSUM calculates the amounts to be paid to all employees. The amounts calculated by PAYSUM are checked against the Payroll Record forms. The names and salaries are checked against the last payroll PAYSUM to be sure no one is omitted and to verify the amounts calculated.
4. After the information has been verified, CALCPAY is run. The CALCPAY program produces the following reports :
 - a. The CALCERR error report reveals errors in processing. All errors must be corrected or adjusted in order to move forward. Once all the errors are corrected or adjusted, the CALCERR report is run again to ensure that the errors have been corrected.
 - b. The PAYRPT report lists all employees and their pay for the pay period.
 - c. The BUDDET report provides a detailed list of all employees and the amounts paid by account number.
 - d. The BUDDIS report lists the total payroll expenditure by account number.

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- e. The BUDPRO report provides a summary by account number of the projected fiscal year expenditures, fiscal year-to-date actual expenditures, current payroll expenditures, and unexpended balance.
- f. The DISDET report provides a listing by account number of all employees paid and the amount paid.
- g. The PAYRPT report lists the actual information entered from the individual employee Hourly Time Sheet forms and the precalculated contract salary information.
- h. The ATDSCN report lists the vacation, sick and personal leave days earned, used, and outstanding. The system updates the leave balances available to the employees.

Any required changes or corrections identified by reviewing these reports must be made prior to continuing the payroll process. The CALCPAY program and all of the reports must be run again if any changes or corrections were made to ensure that the check run will be correct.

- 5. After entering the beginning check number, direct deposit number and pay date, the CKPRT program initializes the check printing process.
- 6. The PAYFORM program provides an option that allows the user to produce an exact copy of the checks printed in the event that they are lost or voided. This program can also be used to print a copy of the checks before printing the actual checks. The School District runs this option only when a copy is needed; however, the payroll information is only maintained in the system for a few days.
- 7. The DEDREPT program provides three options. Option 1 is chosen for the first pay of the month, option 2 for the second pay of the month and option 3 for the third pay of the month if there is one. This program creates the reports for all deductions including taxes, retirements, and child support.
- 8. The PAYDED program initializes the payroll deduction checks. Two of the checks are to the credit union for loans, checking, and savings accounts. Credit union deductions are made for employees who have signed up at the credit union and have signed authorization cards that have been sent to the School District. The Payroll Clerk enters the deductions through the deduction screen. Another check is to the Massillon Education Association (MEA) for deposit of dues collected from MEA members.
- 9. The DEDLIST program generates reports through the DEDLST.TXT of each group of payroll deductions. Reports are printed for all deductions.

For employees who bank with the credit union, the School District prepares a master check. This check is separated from the other payroll checks. The check and a report, which is generated as part of the payroll process, are picked up on Thursday morning which is the day before payday. The report lists the amount to be credited to each employees account. The credit union is the only financial institution with which the School District makes this arrangement. The employees receive a check stub that details their gross pay and all deductions.

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Deduction checks are printed each payroll for city income tax, STRS, SERS, and school district income taxes. The checks are placed in a folder with appropriate information forms for each deduction and mailed monthly.

Deduction checks are printed for annuities, garnishments, and child support. These deduction checks are placed in individual deduction folders with appropriate information forms for each deduction and mailed the Monday following the payday.

Insurance deduction checks along with the summary information forms are given to the Insurance Secretary to mail.

The system calculates the amounts withheld for state and federal income taxes, the employee deduction for federal medicare and social security taxes, and the board share of federal medicare and social security taxes. The state, federal withholding, medicare and social security taxes are paid by wire transfer. The DEDREP calculates the amounts to be paid and generates the deduction reports.

The Auto Post program automatically posts the payroll information to all of the appropriate accounts and files within the payroll accounting programs; however, the auto post feature is not used by the School District. The Bookkeeper posts the amounts from the payroll system to the financial accounting system using an accounting program.

Accounts payable must be closed each month before the first pay of a new month can be posted. Sometimes there is a few days delay in the posting due to closing out the preceding month.

After the payroll and deduction checks are printed, they are separated, signed using a check signor, and put into window envelopes that are not sealed. The same is done for the credit union stubs. Checks and stubs, for employees who are currently working, are sorted by building. The envelopes are placed into large envelopes marked with the name of the building. The window envelopes with the checks and stubs are put into envelopes with the name of the employee written on them. These envelopes, with the name of the person written on them, are returned and used the following pay date. The large envelopes marked with the name of the building are delivered on payday in the morning by the interoffice mail courier to the building secretary or principal who distributes them.

Checks for bus personnel are distributed by the bus secretary on payday in the morning at the bus garage. Substitutes, maintenance personnel, and anyone requesting to do so can pick up their checks from the Central Office Receptionist on pay day. Checks that have not been picked up by the next day are returned to the Treasurer's office and mailed the following day.

If someone is sick on payday, they are responsible for contacting their supervisor and making arrangements to either pick up the check, have it held, or have it mailed to their home. The supervisor must then notify the Payroll Clerk. If someone is on vacation on payday, the check is usually mailed to their home, if requested, unless other arrangements have been made with the supervisor and the Payroll Clerk.

If someone needs to pick up their check early, they must contact the Payroll Clerk and obtain the check directly from the Treasurer's office.

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In order to have payroll checks mailed during the summer months, employees must notify the Payroll Clerk and, if applicable, an employee must submit a change of address to the Payroll Clerk in May. The Payroll Clerk then generates a list of employees who will pick up their checks during the summer. All checks are to be picked up at the buildings during the summer months unless the employee signed up to have the check mailed.

Once payroll has been completed, all Hourly Time Sheets, Classified Personnel Individual Absence Reports, Professional Personnel Individual Absence Reports, and Payroll Record forms used to process that payroll are placed in a folder labeled with the pay date and filed in a filing cabinet near the Payroll Clerk. All pay date folders for the previous fiscal year are retained in the filing cabinet until the current fiscal year is complete. The pay date folders for the previous fiscal year are then boxed, labeled, and stored in a storage room.

Supporting documents such as credit union cards and tax withholding forms that are valid for more than one year are filed alphabetically in a separate file near the Payroll Clerk's desk.

A separate bank account is maintained for payroll. A check from the main account is prepared for the gross payroll amount and federal tax liability and deposited in time to clear the payroll account by the Wednesday after the pay date. If the total federal tax liability is greater than or equal \$100,000, the amount must be called in on the Friday pay day to be electronically deducted and forwarded by the bank on Monday. If the amount is less than \$100,000, it must be called in on Monday or Tuesday to be electronically deducted and forwarded by the bank on Wednesday. The payroll bank account is reconciled by an employee from another office when available.

After payroll processing is complete, the payroll information is updated and the monthly reports are generated. The programs include:

1. the RETIRE program updates STRS and SERS retirement.
2. the NEWHIRE program generates a list of newly hired employees. The report is faxed to the Ohio Bureau of Employment Services.
3. the BENACC program updates benefits.
4. the W2PROC program updates the calendar year W2 totals.
5. the CHKSTA program updates the check numbers used.

A Human Services Report is run monthly that lists all of the new hires and is sent to the Ohio Bureau of Employment Service for the Ohio New Hire Reporting Program

An audit report, AUDRPT, is run only at year end. It lists all changes made to the payroll records on the computer while processing payroll.

The STRS report, a monthly deduction report, is compared to the STRS reports generated each pay in the DEDREP. The STRS report consists of two reports per pay--one for the employees' share and one for the Board's share. All information is pulled into the regular report and then the records are cleared. The monthly and quarterly reports are completed based on the information generated from the payroll system.

The SERS report is forwarded by the data center each month. The data center furnishes a summary report for year end.

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Payroll deductions for medical insurance, life insurance, STRS, SERS, and employment services reports are processed through the payroll system. The School District completes and files all payroll reports in a timely manner. The Payroll Clerk is responsible for balancing and completing the reports for hospitalization, life insurance and all other benefits. She is also responsible for the payment of these benefits when due.

If a check is lost, an immediate stop payment is place on the check with the bank. The payroll or deduction check is voided in the system and a new check is issued. The next available check is used to reissue the check. All information is placed in a monthly file for processing the bank reconciliation.

Education reimbursements are available to administrators and certified employees for qualifying post graduate courses. These reimbursements are paid in September with purchase orders using the accounts payable checks.

Severance payments are processed through the payroll system. Severance pay for retirees is calculated and paid when requested by the retiree. A list of severance payments made to retirees that includes the calculated amounts, method of calculation, and date paid is maintained by the Payroll Clerk. With the Early Retirement Incentive (ERI) contract, the employee is entitled to three equal payments to be received in January of each year following retirement.

One box of payroll checks is kept in a locked cabinet in the Treasurer's office for current use. Additional, unopened boxes of checks are stored in a locked closet in a locked storage room. The check signor is kept in a locked cabinet in the Treasurer's office when not in use. The check burster is kept in the locked storage room.

STRS and SERS requests for refunds by employees retiring or resigning are processed by the Payroll Clerk and mailed. All STRS and SERS forms are kept on file near the Payroll Clerk.

Quarterly programs are run that generate the following:

1. QRTRPT program--provides various tax and retirement quarterly information.
2. OBESRPT program--prepares and prints a report for the Ohio Bureau of Employment Services.

At calendar year end, monthly and quarterly reports are completed except for the QRTRPT. The QRTRPT is run after W2 processing has been completed. W2 processing begins and uses the following:

1. W2VPDT program--makes necessary changes to year-to-date gross, year-to-date taxable gross, and year-to-date deduction amounts withheld.
2. W2PROC program--creates the report W2REPT.TXT that is printed and used to verify accuracy.
3. W2ERR.TXT program--produces a report that lists errors. If errors are shown, corrections are made and the W2REPT.TXT and W2ERR.TXT programs are run again.
4. W2TAPE program--creates the W2 tape submitted to the IRS.
5. W2FORM.TXT program--prints the W2's. The W2's can be printed later by going into OLD and accessing W2PROC. OLD is a system file that allows printing at a later date of data from the previous year.

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Internal Revenues Service W2's are processed after the last payroll for the year is processed and the calendar year-end closing is complete. Yearly reports are provided in addition to the W2 forms. The W2's are distributed with payroll checks in January or are mailed to individuals not currently employed by the School District at the end of January. Lost or destroyed W2's can be replaced using the OLD program file.

After W2 processing has been completed, the quarterly QRTRPT and OBESRPT are run to zero them out for the quarter but not to zero them out for the fiscal year.

At fiscal year end, once monthly and quarterly reports are completed, the following are processed and generated:

1. STRSAD program--to generate the report for the STRS advance. Corrections are made using the program STRSAD.RPT with JOBSCN to make the corrections.
2. ACRUED40 program--creates a report used to verify information and determine if an employee's job is to be advanced.
3. REGRET.TXT report--generated to verify the status of part-time and full-time teachers.
4. STRSAD Option 1 program--generates a projection report.
5. STRSAD Option 2 program--creates a tape to be submitted to STRS.
6. STRS.TXT program--produces a list of all STRS advance jobs in the School District.
7. STRSAD.RPT program--completes and prints the fiscal year end report for all STRS employees and the amounts advanced.
8. An STRS recap sheet is completed manually by the Payroll Clerk.

Job calendars are prepared for the next fiscal year and must be entered into the computer before payroll can be run in the next fiscal year.

Auditor of State Comments

1. The School District should request a lost check affidavit to be completed by the employee or vendor whenever a check is lost and reissued for any reason. This will serve as a record of the lost check for future verification.
2. The Treasurer should establish formal step-by-step procedures and guidelines that are to be followed by the Payroll Clerk.
3. The School District should always have a designated individual in the Treasurer's office, other than someone involved in the payroll process, to reconcile the payroll account monthly. This gives the Treasurer better control over the payroll process.

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4. The window envelopes containing the employee pay checks should be sealed to guard against theft and insure privacy.

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Debt Activity

The issuance of debt is strictly controlled by State statute. A resolution authorizing the issuance of debt must be approved by the board of education. The statute authorizing the debt issuance should be identified in the resolution as well as the purpose of the debt, maturity date, lender, interest rate, and source of revenue to be used for repayment.

Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing resolution. Money to be used for debt payment may be receipted into a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code.

School District's Debt

The School District's outstanding debt at December 31, 1999 is \$23,554,000 and consists of the following:

	Principal Outstanding 6/30/99	Issued	Retired	Principal Outstanding 12/31/99
School Improvement Refunding Bonds, Series 1994	\$12,585,000	\$0	\$1,255,000	\$11,330,000
Vocational School Building Assistance Fund Loan, 1991	1,912,000	0	127,000	1,785,000
Five Year Tax Revenue Anticipation Notes, Series 1996-1997	1,200,000	0	400,000	800,000
Income Tax Revenue Notes Series 1997	713,000	0	238,000	475,000
State Loan Fund Consolidation Loan	4,847,000	0	560,000	4,287,000
Current Tax Revenue Notes Series 1999-2000	<u>0</u>	<u>4,877,000</u>	<u>0</u>	<u>4,877,000</u>
Grand Total	<u>\$21,257,000</u>	<u>\$4,877,000</u>	<u>\$2,580,000</u>	<u>\$23,554,000</u>

The funds necessary for payment of the principal and interest are provided by property taxes, income taxes, and State foundation revenues.

Historically, the School District's Cash Basis Annual Financial Report has not included the vocational school building assistance fund loan.

The Statement J, Schedule of Indebtedness - Bonds, in the School District's Cash Basis Annual Financial Report for fiscal year 1999, showed the amount outstanding at the beginning of the year as new issues during the period.

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The School District's General Purpose Financial Statements for the year ended June 30, 1998 includes the correct amount for bond, note, and loan debt in the liabilities section of the balance sheet at \$24,687,000; however, Note 9: Long-Term Debt and Other Obligations, disclosed the amount for bond, note, and loan debt as \$22,137,000.

Auditor of State Comments

1. The School District should include all debt on the Cash Basis Annual Financial Report. The School District should properly reflect debt on the Cash Basis Annual Financial Report, Statement J, Schedule of Indebtedness - Bonds.
2. The School District should ensure that the notes to the General Purpose Financial Statements show the correct amounts for debt. The School District should ensure that the notes to the General Purpose Financial Statements agree with the liabilities section of the balance sheet.

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Fixed Assets and Supplies Inventories

Fixed assets of the school district should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location, and date of purchase should be maintained by the treasurer. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. Movement of assets from one location to another should be controlled, monitored, documented, and recorded. The disposal of any asset should be properly authorized and reported to the Treasurer.

School District's Methods of Accounting for Fixed Assets

The Board of Education policy, DISPOSITION OF PROPERTY, establishes policies for the disposition of property. Property having a value of less than \$10,000 can be sold in such a manner as will be in the public interest and benefit the School District. Property having a value that exceeds \$10,000 shall be sold at public sale to the highest bidder in accordance with the law. Property designated for donation or unsold after at least one public offer shall be junked. The policy requires the Business Manager to “develop procedures for the disposition of District property.”

The Board of Education policy, PROPERTY INVENTORY, establishes a policy requiring an accurate inventory and properly maintained property records. The policy requires a continuous inventory of all owned equipment and supplies. The policy establishes a minimum value \$500 for supplies inventory purposes. The Business Manager is responsible to systematically and accurately record inventories and to assure that property records are systematically updated and adjusted annually. The property records are to show a description and identification number, manufacturer, year of purchase, initial cost, location, condition, and current evaluation in conformity with insurance requirements. The policy requires the Business Manager to “maintain a system of property records.”

The Board of Education Policy, ACCOUNTING SYSTEM - FIXED ASSETS, establishes a fixed asset accounting system and requires that it shall provide sufficient information to permit the preparation of year-end financial statements in accordance with generally accepted accounting principles, provide for maintenance of adequate insurance coverage, and provide control and accountability of assets. The policy requires the Superintendent to develop administrative guidelines to ensure proper purchase, transfer, and disposal of fixed assets.

The annual fixed asset inventory is conducted at the end of January and the beginning of February by classroom teachers and individuals in the various departments. A memorandum is sent out at the end of January. The most current list of assets for a particular room or office according to location codes is provided along with instructions of how to record information and a supply of three different color coded blank forms. The list of assets includes tag number, cost, quantity, description, serial number, model number, and other miscellaneous notes and information. The color coded blank forms are New Items Purchased This School Year, Any Items Acquired But Not Listed, and Room Changes. The most current list of assets for a particular room or office according to location code is a checkmark if the item is at that location, annotated as discarded, or that the location has changed.

The most current list of assets for a particular room or office and any completed color coded forms for New Items Purchased This School Year, Any Items Acquired But Not Listed, and Room Changes for that location

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are returned to the business office where they are reviewed for completeness. Any lists or forms that are not complete are returned for completion. The information for items not listed and any changes are entered into the computer fixed asset accounting system by the Executive Assistant in the Business Office.

Asset acquisitions, disposals, and location change information verification is only accomplished once a year and entered into the computer fixed asset accounting system once a year by the Executive Assistant in the Business Office.

When employees receive a new piece of equipment, they either contact the Executive Secretary in the Business Office and request a tag number at that time or provide the information during the annual fixed asset inventory. The Executive Secretary in the Business Office assigns the number, writes a description of the equipment next to the tag number, records the location of the equipment and the name of the person requesting the tag number. The employee, who receives a new piece of equipment, tags the equipment. The Executive Secretary in the Business Office enters the name of the vendor or supplier and manufacturer, a description of the equipment, the location of the equipment, the date received, the model and serial numbers, the unit cost, and the tag number on the yellow fixed assets acquisition form, and enters the information into the computer and files the form in the fixed asset folder by building and location within the building.

If the item costs \$500 or more, it is capitalized. Since the School District is on State software and uses that fixed asset program, depreciation is calculated by the program.

School District's Supplies Inventory Procedures

The School District performs a supplies inventory annually in June to provide a valuation of supplies on hand at fiscal year end.

The Stockroom Supervisor and his assistant are responsible for inventorying their supplies at fiscal year end. The cooks are responsible for the food service inventory. The quantity of each item is provided on the inventories which are returned to the business office. The unit cost and price extensions are completed by the Executive Assistant in the Business Office.

The supplies inventory sheets are categorized by paper and supplies. Paper is shown by building location, number of boxes or cases, price each, total or extended price, and size. Supplies are shown by building location, number of boxes or cases, price each, total or extended price, and type. Type is a code number that does not provide a description that would enable a determination that janitorial, building or equipment maintenance parts or supplies are all included.

The business office forwards the information to the Treasurer. The Treasurer gives the inventories to the accounting firm that prepares the information for the financial statements.

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Auditor of State Comments

1. The movement of assets from one location to another is not monitored as it occurs.
2. A periodic review of object code expenditures for equipment purchases against the fixed asset acquisition forms is not completed to identify additional fixed assets to be recorded.
3. The Treasurer did not know when, or even if, a fixed asset appraisal had ever been completed. An appraisal listing could not be located.
4. The School District should establish new policies and procedures for fixed assets and inventory. The policies and procedures should require the following:
 - A designated individual to distribute asset tags and record required information.
 - Information required including the name of the vendor or supplier and manufacturer, a description of the equipment, the location of the equipment, the date received, the model and serial numbers, the unit cost, and the tag number.
 - A designated individual to periodically compare the 500, 600, and 700 object code expenditures for equipment purchases against the fixed asset acquisition forms.
 - A designated individual to monitor, document, and record the movement of assets from one location to another as the movements occur.
 - Definitions of donated assets, salvage values, and private property.
 - The School Districts' fixed assets and supplies inventory policies and procedures be in writing.
 - Personnel who do not follow the policies and procedures to be held accountable to the Board of Education.
5. The School District should obtain a copy of the Fixed Asset Manual published by the Auditor of State's office to use as a guide in the development and implementation of fixed asset policies, procedures, and forms.
6. The supplies inventory worksheets do not indicate who took the inventory and did not indicate that anyone had checked the actual count. Descriptions of supplies were not included. Based on the June 30, 1999, supplies inventory, it could not be concluded that all supplies of any value were included.
7. The School District does not use a standard form for inventories.

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Cash Management and Investing

Cash received by a school district should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Inactive cash should be invested according to Sections 135.14 and 135.35 of the Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

Reconciliations should be completed for all accounts on a monthly basis. The reconciliations should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed.

School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer. These activities include the acquisition and sale of investments and the transfer of cash assets among the various bank accounts. The School District maintains several checking accounts to segregate and control the cash flow and two accounts for investment purposes. These accounts are as follows:

First Merit Bank N.A.:

General Account	This interest bearing checking account is used for the general operation of the District.
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Sweep Account	Excess amounts are swept out of the general account into this interest bearing account overnight. Overnight repurchase agreements are purchased.
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Payroll Account	This checking account is used for the biweekly payroll distribution.
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Student Activities	This interest bearing checking account is used to account for money of student activity funds and to make payments for the various student activities. The account is to be phased out and consolidated into the general account.
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Key Bank:

Auxiliary Account	This interest bearing checking account is used for money received for the support of non-public schools and expenditures made on their behalf.
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Bank One:

Cafeteria Account	This interest bearing checking account is used to account for deposits and expenditures of the School District cafeterias.
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STAR Ohio:

General Account	This account is used to invest excess money from the general checking account.
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Various individuals, on behalf of the Treasurer make deposits into the checking account which automatically sweeps the majority of the account balance into overnight repurchase agreements. The Bookkeeper prepares the outstanding check list and reconciles all accounts except the payroll account at the close of the month. The deposits identified on the bank statement are compared to the receipts posted in the Financial Report by Fund to determine the deposits in transit.

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The payroll account reconciliation is three months behind. Outstanding check lists are generated from a computer report. The monthly reconciliation report is prepared and the adjusted/reconciled bank balances are compared to total fund balances.

The School District has adopted investment, petty cash, and change fund policies. The investment policy addresses authorized investments and liquidity. Currently, the School District invests in STAR Ohio (the State Treasurer's Investment Pool) and repurchase agreements.

The investment policy addresses interest allocation. The policy states "Earnings on any investment may become a part of the fund from which the investment was made, unless otherwise specified by law". The use of the term "may" is not specific and indicates the potential for discretion in allocating interest. Currently, the School District allocates interest to the funds for which the bank accounts were opened.

The Board of Education Policy, Petty Cash, "authorizes the establishment of imprest (revolving type) petty cash funds". A list of offices and departments having petty cash and the amounts held by each office and department was not available.

The Board of Education Policy, Change Fund, establishes "a change fund to be in the care of the designated building cashier who shall be responsible for providing change as needed". A list of offices and departments having a change fund and the amounts held by each office and department was not available.

Auditor of State Comments

1. The School District should complete all monthly bank reconciliations timely. The reconciliation should include detailed explanations of all adjustments, posting of these adjustments to the School District's books on a timely basis, and should be presented to the Board of Education by the middle of the following month.
2. The School District should formally designate a specific individual, by job title, to assign the duty of reconciling the payroll account on a monthly basis.
3. Someone other than the preparer should review and approve all monthly bank reconciliations on a timely basis. The reviewer should initial and date the reviewed reconciliation.
4. The School District should evaluate the number of separate bank accounts it has. Bank accounts other than the general and payroll accounts not specifically required by law or due to grant requirements should be eliminated and consolidated into the general bank account.
5. The School District should establish a detailed interest allocation policy to eliminate any potential for discretion, through Board of Education resolution so that the School District will be in compliance with State statute. The policy should list the specific funds to receive interest and how the interest is to be allocated.
6. The School District should maintain a comprehensive list in the Treasurer's office to support the amount shown as petty cash on the School District's Cash Basis Annual Financial Report, Cash Reconciliation.

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7. The School District Board of Education should revise the petty cash policy by resolution. The policy should include the offices, departments, or building to have specific amounts of petty cash, and what the money is permitted to be used for.

8. The School District Board of Education should revise the change fund policy by resolution. The policy should include the offices, departments or building to have specific amounts in each change fund, and what the money is permitted to be used for.

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Financial Reporting

The treasurer should provide the board of education with financial information including the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the school district. In addition, information concerning the estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the board's review. By July 31 of every year, the treasurer should complete a Form 4502, Annual Financial Report, for the Ohio Department of Education. Depending on the school district's computer system, the report is either generated by the system or completed manually on the prescribed form. If the school district prepares the 4502 using State software, the report is transmitted via modem to the Department of Education. If the school district completes the 4502 manually, a hard copy is mailed to the Department of Education.

School districts are required by Chapter 117, Revised Code to prepare and publish an annual financial report. The report must be certified by the treasurer or board and filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year if reporting on a generally accepted accounting principles basis (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer. All school district's were required to report on a GAAP basis for the fiscal year ended June 30, 1996.

School District's Financial Reporting

The School District uses State software through the Stark Portage Area Computer Consortium, SPARCC, an "A" site, and therefore has the ability to print multiple standard and customized month-to-date and year-to-date reports. The School District prepares month-to-date and year-to-date reports, places them in binders and stores them in the Treasurer's office. Payroll, month-to-date, year-to-date, quarterly, and annual payroll reports are kept in the Payroll Clerks's files.

At the Board meetings, the Treasurer supplies the Board with a Revenue Report, an Appropriations Summary Report, a Financial Summary Report, and a spreadsheet report summarizing expenditures at the function and object levels.

The School District accounts for its daily operations on a cash basis of accounting. The other sections of this report address the primary processes utilized by the School District to record its cash basis activity. The School District has a sophisticated computer system which generates daily reports with information pertaining to cash activity, receipts, expenditures and encumbrances. If these reports do not contain the desired information, reports can be generated in any format needed.

The School District prepared an annual financial report in accordance with Generally Accepted Accounting Principles (GAAP) and met the filing requirement for fiscal year 1998. The School District did not meet the filing deadline for the annual financial report prepared in accordance with GAAP for fiscal year 1999. The School District did request an extension, which was denied.

The School District does not have a comprehensive accounting policies and procedures manual covering all aspects and functions of the Treasurer's office and how other offices and departments account for money, expenditures, supplies, and property of the School District.

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1. The School District should establish a comprehensive accounting policies and procedures manual covering all aspects and functions of the Treasurer's office and how other offices and departments account for money, expenditures, supplies, and property of the School District.
2. The School District has problems with grant accounting and reporting. Various individuals in the School District have obtained grants, administered grants, controlled grant expenditures, and submitted grant reports. Grant funds have not been directly charged with appropriate fringe benefit expenditures that have been absorbed by the General Fund. Some of the expenditures have been billed to the grant funds and reimbursements to the General Fund have been recorded as revenue in the General Fund.
3. Grant funds have been charged with otherwise appropriate expenditures not in accordance with the grant program or agreement. As a result, in at least one instance, the School District is required to remit money to the granting agency from General Fund money.
4. The School District should establish formal policies and procedures for grants that include the following:
 - A specific individual to coordinate and be responsible for all financial grant activities.
 - A means to ensure that grants are directly and correctly charged with appropriate expenditures.
 - Personnel assigned to work under various grants should be responsible to a single grant coordinator.
 - Grant accounting procedures that include grant application preparation and submission, assignment of fund and account codes to record grant receipts and grant expenditures, submission of required interim grant reports, and filing final grant reports on a timely basis.
5. The School District should record reimbursements to the General Fund when occurring within the same fiscal year as a reduction of the expenditure. When not received within the same fiscal year, the reimbursement to the General Fund should be recorded as a reimbursement of prior year expenditures.
6. The Treasurer should provide for cross training of all positions and duties in the Treasurer's office.
7. The School district should take appropriate steps to insure timely filing of its GAAP annual financial report to the Auditor of State's office.

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Conclusion

The methods described and included in this report are based on our inquiries and discussions with School District personnel and the related procedures documented from the School District's Policy and Procedures Manual, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

In conclusion, it is our opinion that the current methods of the accounting and financial reporting of the Massillon City School District are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.