



MT. VERNON

COMMUNITY SCHOOL CORPORATION

Engage, Educate & Empower Today's Students

To: Mt. Vernon School Board of Trustees

CC: Greg Elkins, CFO

From: Doris Johnson, Food Service Director; Kasey Pasyk, Assistant Food Service Director

Re: Food Service Bad Debt Finding

Date: August 26th, 2022

The Mt. Vernon Community School Child Nutrition Program recently underwent an Administrative Review which is completed triennially by the IDOE due to operating the School Breakfast Program and the National School Lunch Program. There was a finding related to bad debt and an out of date Charge Policy. The Charge Policy has since been updated and reviewed. Per the USDA, bad debt cannot be a cost to the nonprofit school food service account and must be restored by nonfederal funds. Bad debt is debt that is uncollectable to food service (i.e. lasting longer than a year), not necessarily the school district who can still pursue collections. Some of the debt within collections is declared uncollectable and will need to be written off by the corporation on their own timing. The following amounts were found to be owed to the nonprofit school food service account and per the report must be restored to the nonprofit school food service account by September 16th, 2022.

1. \$78,266.37 is remaining in Kinum, the debt collections agency, which was accrued from July 1st, 2017 through January 30th, 2020. An additional \$10,719.72 remains in Kinum that was found to be closed due to disputes, placed in error, unable to validate and other closures.
2. From February 1st, 2020 through June 30th, 2022 the further amount accrued > - \$10 but not yet transferred to collections is \$9,209.26, the amount < - \$10 remaining in accounts is \$1,636.70.
3. The first annual bad debt collection will occur on July 1st, 2023 that will represent the amount accrued from July 1st, 2022 to June 30th, 2023 amount is to be determined. This number will be calculated after abandoned funds are reconciled and used to offset negative balances remaining.

SUMMARY:

- Non-Grant Funds must be used for the transfer amount to fill the deficit
- Any collection monies received after the transfer has occurred will go into the lending fund since the amounts will still be active within the collection agency.
- Action: Transfer of \$78,266.37 by September 16th, 2022 from non-federal funds to non-profit school food service account due to being considered uncollectable by food service. These funds are still able to be pursued by the school corporation and monies collected will be receipted into the lending fund.

SCHOOL BOARD: Kellie Freeman Tony May Chad Gray Shannon Walls Phil Edwards

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