

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION
LAPORTE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
01/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kara S. Schoch James G. Holifield	07-01-12 to 06-30-14 07-01-14 to 06-30-16
Superintendent of Schools	Christopher A. Smith Linda J. Wiltfong	07-01-12 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	David Howell, Jr. Edmund Castle David Howell, Jr.	07-01-12 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH CENTRAL COMMUNITY
SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the South Central Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

December 7, 2015

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting that we consider to be material weaknesses as described below:

1. **Lack of Segregation of Duties:** The School Corporation has not separated incompatible activities related to school lunch receipts, disbursements (including payroll), and cash and investment balances.

The Treasurer records school lunch receipts; however, they are not always recorded in the computerized accounting system at the time of collection. The School Corporation's financial system allows the receipts to be backdated when recorded. The Treasurer also prepares, records, and reconciles non-payroll disbursements. In addition, the Treasurer independently performs the cash reconciliements of the record balances to the bank balances. The Deputy Treasurer independently generates and records the payroll transactions and then remits payroll amounts to the depository for direct deposit and tax payments. The School Corporation has not designed or implemented adequate segregation of duties such as oversight, review, or approval processes.

2. **Preparation of the Schedule of Expenditures of Federal Awards (SEFA):** The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Treasurer prepares the SEFA without oversight, review, or approval.

The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2014 002 - INTERNAL CONTROL OVER THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2012-2013, FY2013-2104
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect on the programs: Allowable Activities, Allowable Costs, Cash Management, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications.

Allowable Activities/Allowable Costs

The School Corporation has not designed or implemented adequate policies or procedures to ensure that payroll disbursements are for only food service employees or that all accounts payable vouchers are for only food service operating and administrative costs. An effective oversight, review or approval process has not been established to ensure compliance with Allowable Activities and Allowable Costs requirements.

Cash Management

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to three months' average expenditures in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances.

Program Income

The School Corporation has not designed or implemented adequate policies or procedures to ensure that program income was properly recorded in the financial records. An oversight, review, or approval process has not been established.

Special Tests and Provisions - Verification of Free and Reduced Price Applications

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the verifications of free and reduced price meal applications are in compliance with the requirements, are accurate, or are subjected to review.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the programs.

FINDING 2014-003 - ELIGIBILITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2012-2013, FY2013-2014
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Eligibility compliance requirements.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the determinations of eligibility for free and reduced price meals were accurate. Applications were not subjected to review prior to the notification of eligibility. An oversight, review, or approval process has not been established.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Compliance

The Food Service office is responsible for notifying the household of their children's eligibility for benefits to which they are entitled. Of the applications tested for 2012-2013 school year, 62 percent did not have the documentation of notification. Of the applications tested for the 2013-2014 school year, 56 percent did not have the documentation of notification.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

7 CFR 245.6(c)(6) states in part:

"(6) *Notice of approval*—

(i) *Income applications*. The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application from the household.

(ii) *Direct Certification*. Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free and reduced price school meals or free milk is required. The notice of eligibility must also inform the household that the parent or guardian must notify the local educational agency if they do not want their children to receive free benefits. However, when the parent or guardian transmits a notice of eligibility provided by the SNAP, FDPIR or TANF office, the local educational agency is not required to provide a separate notice of eligibility. The local educational agency must notify, in writing, households with children who are approved on the basis of documentation that they are *Categorically eligible*, as defined in §245.2, that their children are eligible for free meals or free milk, and that no application is required."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Eligibility requirements. In addition, we recommended the School Corporation comply with the Eligibility requirements.

FINDING 2014-004 - REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2012-2013, FY2013-2014
Pass-Through Entity: Indiana Department of Education

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Reporting compliance requirements.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Annual Financial Reports (AFR) were accurate. The reports were not subjected to review before they were submitted to ensure that they were accurate and in compliance with Reporting requirements. An oversight, review, or approval process has not been established.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Compliance

The School Corporation did not fully comply with the applicable Reporting requirements of the programs. The School Corporation is required to complete and submit an AFR at the end of each fiscal year. The information reported in the AFR should reflect the financial transactions and position of the School Lunch fund and be supported by the accounting records. The FY2013-2014 AFR had the following discrepancies: reported revenues differed from the School Lunch fund receipts by \$7,638; reported expenditures differed from the School Lunch fund disbursements by \$9,278; reported ending cash balance differed from the School Lunch fund cash balance at June 30, 2014, by \$1,160. The June 30, 2014 balance of the Prepaid Lunch fund of \$2,130 was not included in the report.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Reporting. In addition, we recommended the School Corporation comply with the Reporting requirements.

FINDING 2014-005 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY2012-2013, FY2013-2014
Pass-Through Entity: Indiana Department of Education

Internal Controls

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Special Tests and Provisions - Paid Lunch Equity.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that paid lunch equity was properly implemented. There was no oversight, review, or monitoring process to ensure that the required lunch prices were properly charged to the students.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

Compliance

The School Corporation did not comply with the paid lunch equity requirements. The School Corporation is required to establish prices for paid lunches per the compliance requirements. If the average price of the School Corporation's paid lunch is less than the difference between the per meal federal reimbursement for paid lunches and free lunches received by the School Corporation in the previous year, new paid lunch prices are to be implemented.

The Indiana Department of Education calculated the required weighted average price for school lunches for the 2013-2014 school year to be \$2.00. The School Corporation did not correctly implement the required weighted average paid lunch price for the 2013-2014 school year. The Elementary school paid lunch prices were \$1.90 and the Middle School and High School paid lunch prices were \$2.00. This resulted in a weighted average price that was below the amount required.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

7 CFR paragraph 210.14(e) states in part:

"(3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

(i) 2 percent; and

(ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.

(4) *Price Adjustments.* (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirements. Additionally, we recommended that the School Corporation comply with Special Tests and Provisions - Paid Lunch Equity.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION

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219-767-2263 or 219-733-2311
Fax 219-767-2260

Mrs. Linda Wiltfong
Ms. Sandra Wood
Mr. Ben Anderson

Superintendent
High School Principal
Elementary Principal

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swood@scentral.k12.in.us
banderson@scentral.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2014-001 (Financial Transactions and Reporting)

Contact Person Responsible for Corrective Action: Jim Holifield
Contact Phone Number: 219-767-2263

Description of Corrective Action Plan:

1A. Segregation of Duties:

Cafeteria Cashiers/Lead will sign-off on daily bank deposits
Corporation Secretary will record information from Student Management Software (Harmony), match to deposits, and sign-off on form
Treasurer will review and initial this form
Administrative Assistant will record receipts in Komputrol (daily)

Receipts at Time of Transaction:

At the time of transaction, a record of the transaction is created in Harmony
Parents/Guardians have access to this record/receipt as soon as transaction occurs

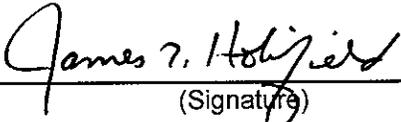
1B. Payroll/Taxes:

Deputy Treasurer prepares Federal tax submittal for online payment (www.eftps.gov)
Treasurer will review these amounts and approve (signature)

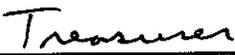
2. Preparation of SEFA Report:

Treasurer will prepare SEFA (with assistance from Food Service Director)
Superintendent will review and approve before it is submitted via Gateway

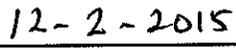
Anticipated Completion Date: January 1, 2016



(Signature)



(Title)



(Date)

Mission Statement

South Central Community School Corporation believes that all students will succeed to the best of their abilities.

School, family, and community will collaborate to prepare students for the 21st century by providing opportunities for students to develop intellectual, social, emotional, physical, and life-long decision making skills for higher levels of excellence.

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CORRECTIVE ACTION PLAN

FINDING 2014-002 (Internal Controls Over the Child Nutrition Cluster)

Contact Person Responsible for Corrective Action: Jim Holifield

Contact Phone Number: 219-767-2263

Description of Corrective Action Plan:

Allowable Activities/Costs:

- Food Service Director approves invoices/timesheets
- Deputy Treasurer reviews and enters payroll and invoice information into Komputrol
- Treasurer reviews and signs-off on payment for invoices

Cash Management:

- Food Service Director will create a plan for expenditure of School Lunch funds above the limit of three months' average expenditures

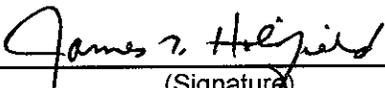
Program Income:

- Corporation Secretary receives notice of ACH/direct deposit
- Administrative Assistant records the receipt in Komputrol
- Treasurer signs-off on receipt
- Copy of receipt is attached to Food Service Director's report (DOE data)
- Treasurer verifies (initials) that the receipt and report numbers match

Special Tests and Provisions—Verification of Free and Reduced Price Applications

- Cafeteria Lead will randomly check 3-5% of applications and sign-off on these as being correct

Anticipated Completion Date: October 1, 2016



(Signature)

Treasurer

(Title)

12-2-2015

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2014-003 (Eligibility)

Contact Person Responsible for Corrective Action: Lori Sikora

Contact Phone Number: 219-767-2263

Description of Corrective Action Plan:

Internal Controls:

Food Service Director creates Free/Reduced Price list using data provide by parents/guardians
Cafeteria Lead reviews list and verifies a random sample of applications (3-5%)
List is approved/signed by Food Service Director and Cafeteria Lead

Compliance:

Food Service Director will maintain hard-copies of all Free/Reduced price approval/denial letters

Anticipated Completion Date: October 1, 2016


(Signature)

FSD
(Title)

12-7-15
(Date)

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CORRECTIVE ACTION PLAN

FINDING 2014-004 (Reporting)

Contact Person Responsible for Corrective Action: Jim Holifield

Contact Phone Number: 219-767-2263

Description of Corrective Action Plan:

Internal Controls:

Food Service Director will review and sign-off on Annual Financial Report before it is submitted via Gateway by Treasurer

Compliance:

Food Service Director will review and sign-off on Annual Financial Report before it is submitted via Gateway by Treasurer

Any errors or discrepancies will be noted and corrected prior to report submission

Anticipated Completion Date: September 15, 2016

James N. Holifield
(Signature)

Treasurer
(Title)

12-2-2015
(Date)

Mission Statement

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CORRECTIVE ACTION PLAN

FINDING 2014-005 (Special Tests and Provisions— Paid Lunch Equity)

Contact Person Responsible for Corrective Action: Jim Holifield
Contact Phone Number: 219-767-2263

Description of Corrective Action Plan:

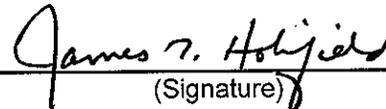
Internal Controls:

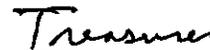
Food Service Director will calculate amounts utilizing IDOE website
Treasurer will review calculations and creates recommendations for School Board
Board approves/rejects recommendations

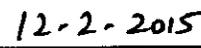
Compliance:

Food Service Director utilizes State formula/calculations to determine amounts
Treasurer will review calculations and creates recommendations for School Board
Board approves/rejects recommendations

Anticipated Completion Date: March 30, 2016


(Signature)


(Title)


(Date)

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The Textbook Rental fund was overdrawn by \$26,675 and \$7,537 at June 30, 2013, and June 30, 2014, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The records presented for audit indicated that the expenditures of the Capital Projects fund were in excess of budgeted appropriations for 2013 by \$66,979.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

OFFICIAL BONDS

The official bonds for the Treasurer and Deputy Treasurer were not obtained every year. Instead, a continuous bond was obtained in 2012 and renewed on an annual basis. The amount of the bond is to be determined by the governing body, but no policy was written for the required amount of the bond.

The official bonds for the Treasurer and Deputy Treasurer were not filed in the office of the County Recorder for 2013 and 2014. The official bonds for the Extra-Curricular Account Treasurers were not filed in the Office of the County Recorder for the 2012-2013 or 2013-2014 school years.

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide official written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

Indiana Code 5-15-6-3(f) stated in part during the audit period: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not conducted. The officials did complete a reconciliation of the fund receipts and disbursements to the depository deposits and withdrawals.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CAPITAL ASSETS

The unit has not properly maintained a complete inventory of capital assets owned. There have been no updates to the capital asset records since July 1, 2010.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)

TEXTBOOK RENTAL

The annual rental rate charged for textbooks exceeded 25 percent of the retail price of the books. For 12 of the 24 textbook rental rates tested, the calculated book price included a flat shipping cost of 10 percent instead of the actual shipping costs which was less than 10 percent.

In addition, there was not a written attorney opinion regarding educational fees established by the School Board and whether or not they violate the Indiana constitution.

Indiana Code 20-26-12-2(a) stated in part during the audit period:

"A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials."

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Therefore, we are of the audit position that up to twenty-five (25%) percent of the retail price of a textbook may be collected annually (which could include actual shipping and handling) for each year . . . (The School Administrator and Uniform Compliance Guidelines, Volume 185, March 2009)

Indiana Code 20-26-4-1(d) states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds."

Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

PREPAID SCHOOL LUNCH ACCOUNT TRANSACTIONS

The School Corporation accounts for prepaid food within the School Lunch fund. Collections are not receipted to the Prepaid Lunch fund (8400) and then transferred to the School Lunch fund (0800). School Corporation lunch collections are recorded once a month directly into the School Lunch fund. The difference between collections received and meals charged are recorded in the Prepaid Lunch fund.

The individual meal accounts were not reconciled to the balance in the Prepaid Lunch Fund (clearing account). The individual meal account balances exceeded the amount in the Prepaid School Lunch fund by \$852 and \$1,226 at June 30, 2013 and 2014, respectively.

There were also negative meal account balances at June 30, 2013 and 2014, which totaled \$2,365 and \$837, respectively. The School Corporation has not established a bad debt policy for school lunch. Starting in July, 2014, the School Corporation has limited the amount that an individual meal account can be in the negative.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines, Volume 183, September 2008)

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

SOUTH CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2015, with James G. Holifield, Treasurer; Beth B. Magnuson, Deputy Treasurer; Linda J. Wiltfong, Superintendent of Schools; David Howell, Jr., President of the School Board; and Laura R. Sikora, Food Service Director.