



PREPAID MEALS

A system of internal control may be implemented in many different ways. Because political subdivisions vary in purpose, size and complexity, no single method of internal control is universally applicable. However, the five internal control components should be present and functioning in all political subdivisions.

Questions have been accumulated for all five internal control components. This document includes questions pertaining to various noncompliance issues regarding prepaid meals. These questions can be used to aid in designing a proper system of internal control over the handling of prepaid meals that will allow deficiencies in the handling of prepaid meals to be prevented or detected and corrected. It is not necessary to address all questions in this document. These are only suggestions and ultimately it is up to the unit on how they implement it. The internal control system as a whole has to be designed and implemented appropriately in order to allow errors and deficiencies in the handling of prepaid meals to be prevented or detected and corrected.

Although the preferred method of accounting for a school food and nutrition program is through School Lunch funds in the school corporation account, authority is provided in IC 20-41-2-4 to account for the program in extracurricular accounts. This document refers to the School Lunch fund and the Prepaid School Lunch fund accounted for in the school corporation records.

Control Environment

The questions in this section are divided by questions that pertain to the governing board and management.

Governing Board:

	YES	NO
1) Does the governing board oversee the unit's internal control system over the handling of prepaid meals?		
2) Are there written policies documenting internal control procedures over the handling of prepaid meals?		
3) Has the governing board established a policy for the handling of bad debt accounts?		
4) Has the governing board established a policy for repayment plans on delinquent student accounts?		
5) Has the governing board established a policy for charged meals?		
6) Has the governing board established a policy on the frequency of transfers of income to be made from the Prepaid School Lunch fund to the School Lunch fund?		
7) Are school lunch prices established by the governing board?		

Management:

1) What procedures did management put in place for prepaid meals?		
a. Does management assign responsibility, and delegate authority to achieve the proper handling of prepaid meals?		
2) Are there documented procedures for employees to follow when the balance of the Prepaid School Lunch fund does not reconcile to the total of the individual meal accounts?		

Risk Assessment

	YES	NO
1) Does management identify, analyze and respond to risks regarding the handling of prepaid meals?		
a. What areas have been identified regarding the handling of prepaid meals that may be exposed to fraud risk?		
b. How has management analyzed and responded to identified risks? For example, management may accept the risk and take no action, choose to eliminate certain processes to avoid the risk and institute proper internal controls.		
2) How does management prevent fraud and errors in the accounting records, which are used to post financial transactions related to prepaid meals? For example, are important internal control procedures in place such as approvals, regular preparation or review of reconciliations, review of supporting schedules or reports, etc.?		

Control Activities

	YES	NO
1) Is there a system of checks and balances (segregation of duties) to ensure the proper handling of prepaid meals?		
a. Is the individual collecting school lunch funds separate from the individual generating daily reports?		
b. Is an individual not involved in collecting school lunch receipts or generating daily reports compare receipt postings to the Prepaid School Lunch fund to the Daily Record of Cash Received reports (form SF-2)?		



	YES	NO
c. Is an individual not involved in collecting school lunch receipts or generating daily reports compare deposits/remittances of student collections to the Daily Record of Cash Received reports (form SF-2)?		
d. Is an individual not involved in collecting school lunch receipts or generating daily reports compare the total amount of individual meal account balances to the fund balance of the Prepaid School Lunch fund?		
e. Is an individual not involved in collecting school lunch receipts or generating daily reports comparing total debits posted to individual meal accounts to Daily Record of Cash Received reports (form SF-2)?		
f. Is an individual not involved in collecting school lunch receipts or generating daily reports compare total debits posted to individual meal accounts to deposits/remittances of student collections?		
h. Is an individual not involved in collecting school lunch receipts or generating daily reports compare total credits posted to individual meal accounts to receipts posted to the School Lunch fund?		
i. If the answer is yes to any of these questions is the review documented as evidenced by initials, tick marks, etc. indicating procedures performed?		
2) Are the accounting records for the Prepaid School Lunch fund established in accordance with the SBOA chart of accounts and Uniform Compliance Guidelines in order to allow proper oversight by management and the governing board?		
a. Has a Prepaid School Lunch fund (fund 8400) been established?		
b. Are collections, including those received through on line banking and in person, posted to fund 8400 using receipt account 1630 (Special Functions)?		
c. Are charged meals disbursed from the Prepaid School Lunch fund (fund 8400) using expenditure account 31900 (Other Food Services)? Note: A charged meal is when the student goes through the lunch line and charges a meal or ala carte items to their account. Are charged meals disbursed from the Prepaid School Lunch fund (fund 8400) received to fund School Lunch fund (fund 800) using receipt accounts 1611-1623?		
d. Are individual meal accounts established for each student?		
3) Are school lunch collections and the write off of bad debts posted to the individual student meal accounts?		
4) Are charged meals posted to the individual student meal accounts?		
5) Are bad debts and uncollectible accounts written off in accordance with the policy approved by the governing board?		
6) Are charged meals bad debts and uncollectible accounts written off in accordance with the policy approved by the governing board?		
7) Are repayment plans handled in accordance with the policy approved by the governing board?		
8) Are charged meals deducted from student accounts immediately (when the student goes through the line and charges a meal or ala carte items)?		
9) Are collections added to student accounts timely?		
10) Are receipts issued by the ECA Treasurer or School Corporation Treasurer to the individual remitting the collections? If yes, is the receipt retained by the school lunch staff to support deposits and receipt postings to fund 8400?		
11) Are transfers of charged meals from the Prepaid School Lunch fund to the School Lunch fund made in accordance with the policy approved by the governing board to ensure accurate monthly reporting?		
12) Do families have access to detailed collections, charges and ending balances of student accounts?		

Information and Communication

	YES	NO
1) Are procedures established to ensure that proper communication and documentation exists for internal communications between offices, departments, management and the governing board regarding prepaid meals?		
a. How does the unit internally communicate information regarding prepaid meals to employees, including objectives and responsibilities for internal control? Are records maintained to document this communication?		
b. Are procedures established to ensure that the communication requirements are being followed and necessary information is being communicated properly?		
2) What procedures are in place to collect the information needed to ensure the proper handling of prepaid meals?		
a. Does management use the most current information available to ensure the proper handling of prepaid meals?		



Monitoring

	YES	NO
1) Are procedures in place to ensure that appropriate personnel perform their required duties sufficiently and adequately follow the policies and procedures of the governmental unit regarding prepaid meals?		
2) Are internal control procedures over prepaid meals evaluated and adjusted on a regular basis? For example, personnel changes, newly elected officials, etc.		
a. What follow-up action is taken for identified problems or weaknesses in internal controls regarding prepaid meals?		
3) Are monthly reports detailing receipts, disbursements and cash balances of the school lunch funds provided to management of the school lunch funds to review for accuracy and reasonableness?		
4) Are monthly reports of receipts, disbursements and cash balances of the school lunch funds provided to the governing board to review for accuracy and reasonableness?		
5) Does a confidential reporting system exist so that individuals may report suspected fraud and abuse of the unit's policies?		



