

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
VERMILLION COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
05/14/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2014-001 - Internal Controls Over Financial Transactions and Reporting	4
Finding 2014-002 - Internal Controls and Compliance Over the Schedule of Expenditures of Federal Awards	4-6
Finding 2014-003 - Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Title I Grants to Local Educational Agencies, National School Lunch Program, and the School Breakfast Program	6-7
Finding 2014-004 - Program Income For National School Lunch Program and School Breakfast Program	7-8
Finding 2014-005 - Special Tests and Provisions For National School Lunch Program and School Breakfast Program	8-10
Corrective Action Plan.....	11-13
Audit Results and Comments:	
Biannual Financial Reports.....	14
Overdrawn Cash Balance.....	14
Temporary Transfers	14
Tax Anticipation Warrants	15
Internal Controls - Timesheets	15
Appropriations.....	15-16
Superintendent Public Meeting.....	16
ECA Educational Fees	16
Public Records Retention	16
Fees.....	17
Exit Conference	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michele Harrison	07-01-12 to 06-30-15
Superintendent of Schools	Michael F. Turner	07-01-12 to 06-30-15
President of School Board	Larry Bemis Terra D. Naylor	01-01-12 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 NORTH VERMILLION COMMUNITY
SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of the North Vermillion 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

March 17, 2015

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipts and disbursements including payroll. The Treasurer writes the receipts, posts receipts to the ledger, completes deposit ticket for those that need to be deposited to the bank, and delivers the deposit to the bank. No one else is reviewing reports to make sure the receipts are posted to the correct fund or verifying that the correct amount is being deposited in the bank. Payroll is being handled by the Deputy Treasurer. She receives the time sheets, inputs payroll into the software program, reviews the payroll check register, posts the payroll and prints the advice of charge slips. No one reviews the payroll transactions other than the Deputy Treasurer. 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.
2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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)

FINDING 2014-002 - INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The SEFA was prepared by the Treasurer without proper oversight, review, or approval. 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.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

During the audit of the SEFA, we noted the following errors: Education Jobs was omitted from the schedule for 2012-2013 and the Child Nutrition Cluster was omitted in 2013-2014. A state grant was included in the schedule. For Title I Grants to Local Educational Agencies, Special Education - Grants to States, and Improving Teacher Quality State Grants, disbursements were used rather than receipts for 2012-2013 which was in conflict with the disclosure in Note 1. Improving Teacher Quality State Grants included non-Federal amounts for 2013-2014. Program names did not match the program names as shown in the Catalog of Federal Domestic Assistance. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES, NATIONAL SCHOOL LUNCH PROGRAM, AND SCHOOL BREAKFAST PROGRAM

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-8010, 13-8010, 14-8010

Pass-Through Entity: Indiana Department of Education

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement for the following compliance requirements for Title I Grants to Local Educational Agencies: Cash Management and Reporting. Also included are the following compliance requirements for the National School Lunch Program and the School Breakfast Program: Activities Allowed; Allowable Costs; Cash Management; Program Income; Special Tests and Provisions (paid-lunch equity). 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.

For Title I Grants to Local Educational Agencies, there is no segregation of duties over Cash Management and Reporting. The Treasurer prepares the reimbursement request and Annual Expenditure Reports and submits it with no other oversight.

For the National School Lunch Program and the School Breakfast Program:

1. There is a lack of segregation of duties over Activities Allowed and Allowable Costs. The Cafeteria Manager orders the food and supplies, receives the food and supplies, and reviews the invoices. The payments are made to vendors by the Treasurer from statements. There is no evidence that the invoices are reviewed by any person other than the Cafeteria Manager.
2. The School Corporation has chosen not to comply with Cash Management requirements because there are not enough necessary expenditures to deplete the cash balance to the required level and lunch prices cannot be decreased due to paid lunch equity requirements. This resulted in established controls being overridden.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

3. For program income at the elementary school, cash is not safeguarded prior to posting and drawers are not counted separately. Neither the high school, nor the elementary school provides the Treasurer with a collection report. Amounts are posted at month end from the bank statement with no reconciliation of what is on the bank statement to the amounts shown as collected or accumulated in student accounts.
4. There were no controls over paid lunch equity requirements. The Food Service Director stated that she had received the spreadsheet to calculate average lunch price, which is used in determining necessary compliance with the requirement, but did not complete it.

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 type of 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 program. 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 of the grant agreement or the compliance requirements that have a direct and material effect to the program 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 all compliance requirements that have a direct and material effect to the program.

***FINDING 2014-004 - PROGRAM INCOME FOR NATIONAL SCHOOL
LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

The Treasurer posts food service program income from the bank statements at the end of the month, rather than using reports from the cafeteria. Electronic payments are posted in a lump sum and processing fees are deducted automatically from the bank account and posted to the school lunch account. The Treasurer does not receive any report from the cafeteria managers or the third-party administrator to verify the accuracy or appropriateness of the deposits or deductions.

Adult lunches at the elementary school were not charged appropriately.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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."

The failure to process payments timely and from proper source documents, does not provide up-to-date financial information for decision making and financial planning purposes. This can also affect the unit's compliance with cash management requirements, because a current cash balance is not readily available.

We recommended that the cafeteria managers provide line reports to the Treasurer daily so that postings may be made from appropriate source documentation on a timely basis. We also recommended that electronic payment reports be reviewed at least monthly to determine appropriateness of deposits and fees deducted.

FINDING 2014-005, SPECIAL TESTS AND PROVISIONS FOR NATIONAL SCHOOL LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

The School Corporation did not perform the necessary calculation for paid lunch equity during the audit period. The School Corporation did increase prices in 2013, based on findings in the on-site review performed by the Indiana Department of Education, but did not comply with the requirement for 2012-2013.

7 CFR 210.14 states in part:

"(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

- (1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . .

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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.
 - (ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
 - (iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents. . . .
- (6) *Additional considerations.*
- (i) In any given year, if a school food authority with an average price lower than the reimbursement difference is not required by paragraph (e)(4)(ii) of this section to increase its average price for paid lunches, the school food authority shall use the unrounded average price as the basis for calculations to meet paragraph (e)(3) of this section for the next school year.
 - (ii) If a school food authority has an average price lower than the reimbursement difference and chooses to increase its average price for paid lunches in any school year more than is required by this section, the amount attributable to the additional voluntary increase may be carried forward to the next school year(s) to meet the requirements of this section.
 - (iii) For the school year beginning July 1, 2011 only, the limitations for non-Federal contributions in paragraph (e)(5)(iii) of this section do not apply.
- (7) *Reporting lunch prices.* In accordance with guidelines provided by FNS:
- (i) School food authorities shall report prices charged for paid lunches to the State agency; and
 - (ii) State agencies shall report these prices to FNS.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(f) *Revenue from nonprogram foods.* Beginning July 1, 2011, school food authorities shall ensure that the revenue generated from the sale of nonprogram foods complies with the requirements in this paragraph.

- (1) *Definition of nonprogram foods.* For the purposes of this paragraph, nonprogram foods are those foods and beverages:
 - (i) Sold in a participating school other than reimbursable meals and meal supplements; and
 - (ii) Purchased using funds from the nonprofit school food service account.
- (2) *Revenue from nonprogram foods.* The proportion of total revenue from the sale of nonprogram foods to total revenue of the school food service account shall be equal to or greater than:
 - (i) The proportion of total food costs associated with obtaining nonprogram foods to
 - (ii) The total costs associated with obtaining program and nonprogram foods from the account.
- (3) All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

Failure to comply with paid-lunch equity requirements could result in sanctions from the grantor or pass-through agency.

We recommended that the School Corporation prepare and maintain calculations each school year and increase prices accordingly, if necessary.

**THE NORTH VERMILLION COMMUNITY SCHOOL
CORPORATION
5551 NORTH FALCON DRIVE
CAYUGA, INDIANA 47928**

**NVCSC
ADMINISTRATION
OFFICE**

CORRECTIVE ACTION PLAN

**Office (765) 492-4033
Office (765) 492-3002
Fax (765) 492-7001**

***FINDING 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS
AND REPORTING***

**Michael F. Turner
SUPERINTENDENT**

Contact Person Responsible for Corrective Action: Michele Harrison
Contact Phone Number: 765-492-5101

**Shelly Harrison
CORPORATION
TREASURER**

Description of Corrective Action Plan:

**Debra L. Harding
CORPORATION
ADMINISTRATIVE
ASSISTANT**

1. Lack of Segregation of Duties:

All receipts are prepared and issued by the Treasurer. The Treasurer and Deputy Treasurer each review and approve all receipts during the posting process. The Receipt Posting Journal, Deposits New to the Bank File and Fund Transaction Posting are printed and the Receipt Posting Journal is initialed by both the Treasurer and Deputy Treasurer and filed with the receipts.

**Pamela Carli
CORPORATION
TECHNOLOGY
DIRECTOR**

Deputy Treasurer receives and reviews time sheets. She matches the leave request forms and time sheets to the Employee Absence Report for accuracy. Treasurer then enters attendance into Komputrol. The Deputy Treasurer enters payroll into Komputrol. During the input process, Treasurer assists Deputy Treasurer by verifying each time sheet. The payroll notebook and the Payroll Check Register from the previous payroll are used as guides during this process to make sure all appropriate employees are paid. Deputy Treasurer prints a Payroll Trial Journal, which is checked for accuracy by the Treasurer. The Deputy Treasurer prints Deposit Advices. The Deputy Treasurer also prints a Payroll Check Register, which is initialed by both the Treasurer and Deputy Treasurer. The Treasurer creates and submits the ach file to the financial institution. The Treasurer then posts the payroll.

**NORTH VERMILLION
BOARD OF SCHOOL
TRUSTEES**

**Terra D. Naylor
PRESIDENT**

**Larry A. Bemis
VICE PRESIDENT**

**Mark A. Swingle
SECRETARY**

**Brian L. Hughes
BOARD MEMBER**

**Jason D. McLain
BOARD MEMBER**

**Rick O. Weir
BOARD MEMBER**

**Larry D. Wickens
BOARD MEMBER**

2. Monitoring of Controls:

As stated above, receipts are now reviewed and approved by both the Treasurer and Deputy Treasurer during the posting process. After receipts are posted by the Treasurer, the Treasurer provides the Superintendent with the following reports:

Fund Chart of Accounts Report

Receipt Posting Journal

Deposits New to the Bank File

Fund Transaction Posting

Copies of these reports, excluding the Fund Chart of Accounts Report, are also filed with the Receipts.

As also stated above, both the Treasurer and Deputy Treasurer process payroll. After the Treasurer posts payroll, the Treasurer provides the Superintendent with the following reports:

Fund Chart of Accounts Report

Fund Transaction Posting – Budgetary

Fund Transaction Posting – Revenue

Copies of these reports, excluding the Fund Chart of Accounts Report, are filed with the Payroll Check Register.

A Claims Register is prepared each month and approved at the School Board Meeting. The long and short versions of the list are provided to the school board members and superintendent prior to the meeting.

Treasurer balances the bank statement each month. Superintendent verifies that the Bank Statement provided from the bank and the Bank Statement printed from Komputrol have balanced. Once verified, Superintendent signs and dates the Bank Statements. End of Month Reports are then printed and provided to the Superintendent and School Board Members. All reports are also kept on file in the Superintendent's Office.

Following the balancing of the bank statement, Reimbursement Request Forms are prepared for the following funds: Title I, Title II-A, Regular Special Ed and Preschool Special Ed provided funds have been expended during the month just balanced.

Title I Reimbursement Form is completed online through the Title I Programs Application Center. Treasurer is the "Requester" and Superintendent is the "Approver". A copy of the Reimbursement Form, Fund Chart of Accounts Report, Expenditure Report, and Revenue History Report are provided to the Superintendent, Kara Porter and Brian Byrum.

Title II-A Reimbursement Form is prepared by the Treasurer. It is emailed to Alisa at Title2a@doe.in.gov. Superintendent, Brian Byrum, Jayne Ann Virostko and Holly Wheaton are included on the email. Copies of the Fund Chart of Accounts Report, Expenditure Report and Revenue History Report are provided to Mr. Byrum, Ms. Virostko and Mrs. Wheaton.

Regular Special Ed Reimbursement Form is prepared by the Treasurer and approved by the Superintendent. It is emailed to Tamara Poteet at specialpartb@doe.in.gov. Superintendent and Jill Coffing are included on the email.

Preschool Special Ed Reimbursement Form is prepared by the Treasurer. It is emailed to Tamara Poteet at specialpartb@doe.in.gov. Superintendent and Jill Coffing are included on the email.

FINDING 2014-002 – INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

This is the first time that the Schedule of Expenditures of Federal Awards (SEFA) was prepared by the Treasurer. In the future, Treasurer will prepare the Schedule of Expenditures of Federal Awards (SEFA) and have the Deputy Treasurer and Superintendent review for accuracy.

FINDING 2014-003 – INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Title I –

The Title I Director, Kara Porter, prepares the Title I Grant Application and Budget. Following approval of the Grant, Mrs. Porter and the Treasurer meet and the Treasurer enters the appropriations into Komputrol according to the Grant approval. The Title I Reimbursement Form is completed monthly online through the Title I Programs Application Center. Treasurer is the "Requester" and Superintendent is the "Approver". A copy of the Reimbursement Form, Fund Chart of Accounts Report, Expenditure Report, and Revenue History Report are provided to the Superintendent, Kara Porter and Brian Byrum. The Title I Director, Kara Porter, will assist the Treasurer in the completion of the Annual Expenditure Report.

Title I questioned costs (gift card purchases of \$90 and food purchases of \$3,444) were items that were written into the Title I Grant. However, gift cards and/or food purchases will not be purchased with Title I funds going forward.

National School Lunch Program and School Breakfast Program –

1. Head Cooks check pricing on all food and supplies and then place orders accordingly. When orders are received, a cafeteria employee along with the Head Cook checks in the items to make sure all items were received. The cafeteria employee then signs off on the invoice. Head Cook gives all invoices and packing slips to Treasurer for payment.
2. Cash register drawers are counted by the individual operating the cash register. Counting of the drawers is done separately. Balance sheets for each register are signed by the individual that operated and counted the drawer. These balance sheets along with the cash and/or checks for that register are then provided to the Head Cook to recount. The Head Cook then combines the total of both registers. A Line Detail Report is then printed for the day. The total of both registers is balanced to the Line Detail Report for accuracy. The Line Detail Reports are provided to the Treasurer on a weekly basis. Treasurer matches the Line Detail Reports to the deposits on the Bank Statement provided by the financial institution.
3. Melissa Corum is the Indiana Department of Education Division of School Nutrition Assigned Specialist for North Vermillion Community School Corporation. Following Ms. Corum's upcoming visit to North Vermillion Community School Corporation, the necessary calculation for paid lunch equity will be completed by the Food Service Director. The calculation for paid lunch equity will be done on a yearly basis. The breakfast and lunch prices will be approved yearly by the North Vermillion Board of School Trustees.


FINDING 2014-004 – PROGRAM INCOME

Daily Line Detail Reports from each school cafeteria are provided to the Treasurer on a weekly basis. Treasurer prints a Skipjack Transaction Detail Report for the week. The Line Detail Reports and Skipjack Transaction Detail Reports are matched by the Treasurer and/or Deputy Treasurer for accuracy. The Skipjack Transaction Detail Reports show the breakdown of online payments and the fees charged. Treasurer will then print receipts for the NVES and NVHS cafeteria payments received. In the near future, visits to a few local school corporations are planned. If after the visits, it is determined improvements to our system are deemed necessary, changes will be implemented accordingly.

FINDING 2014-005 – SPECIAL TESTS AND PROVISIONS

Melissa Corum is the Indiana Department of Education Division of School Nutrition Assigned Specialist for North Vermillion Community School Corporation. Following Ms. Corum's upcoming visit to North Vermillion Community School Corporation, the necessary calculation for paid lunch equity will be completed by the Food Service Director. The calculation for paid lunch equity will be done on a yearly basis. The breakfast and lunch prices will be approved yearly by the North Vermillion Board of School Trustees.

Anticipated Completion Date: April 30, 2015


(Signature)
Corporation Treasurer
(Title)
March 13, 2015
(Date)

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

BIANNUAL FINANCIAL REPORTS

The Biannual Financial Reports (Form 9s) were not submitted timely for the period of July 1, 2012 through December 31, 2012, and January 1, 2014 through June 30, 2014. They were four and five days late, respectively.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public Schools Corporations, Chapter 9)

OVERDRAWN CASH BALANCE

The financial statement presented for audit included the Special Education - Part B fund with an overdrawn cash balance of \$4,829 at June 30, 2014. The overdrawn fund was a dormant grant fund that did not have any activity during the audit period.

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)

TEMPORARY TRANSFERS

The School Corporation made temporary transfers between funds that totaled \$318,714 without the School Board's approval. All temporary transfers were repaid by the correct deadline.

Indiana Code 36-1-8-4(a) states:

"The fiscal body of a political subdivision may, by ordinance or resolution, permit the transfer of a prescribed amount, for a prescribed period, to a fund in need of money for cash flow purposes from another fund of the political subdivision if all these conditions are met:

- (1) It must be necessary to borrow money to enhance the fund that is in need of money for cash flow purposes.
- (2) There must be sufficient money on deposit to the credit of the other fund that can be temporarily transferred.
- (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs.
- (4) The amount transferred must be returned to the other fund at the end of the prescribed period.
- (5) Only revenues derived from the levying and collection of property taxes or special taxes or from operation of the political subdivision may be included in the amount transferred."

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

TAX ANTICIPATION WARRANTS

The School Corporation received a tax anticipation warrant for the School Transportation fund in the amount of \$147,501. This was 170 percent of the December distribution which is in excess of the 80 percent allowed. They also received a tax anticipation warrant for the Capital Projects fund in the amount of \$252,500. This was 107 percent of the December distribution which is in excess of the 80 percent allowed.

Indiana Code 20-48-1-9 states in part:

"(a) If the governing body of a school corporation finds and declares that an emergency exists to borrow money with which to pay current expenses from a particular fund before the receipt of revenues from taxes levied or state tuition support distributions for the fund, the governing body may issue warrants in anticipation of the receipt of the revenues. . . .

(d) The amount of principal of temporary loans maturing after June 30 and on or before December 31 may not exceed eighty percent (80%) of the amount of taxes and state tuition support distributions estimated to be collected or received for and distributed to the fund at the December settlement."

INTERNAL CONTROLS - TIMESHEETS

The School Lunch Director signed the employees' names to their timesheets instead of each individual person signing their own. The School Lunch Director should have reviewed the timesheet after the employee signed it and certify it with their own name for approval.

One timesheet tested was not mathematically correct and the employee was overpaid by one hour.

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. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Funds</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Rainy Day	2012	\$ 223,374
Rainy Day	2013	17,701
General	2013	417,535
Capital Projects	2013	104,624
School Transportation	2013	319,160
School Bus Replacement	2013	32,714

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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."

SUPERINTENDENT PUBLIC MEETING

The School Corporation did not hold a public meeting seven days prior to approving the Superintendent of School's contract.

Indiana Code 20-26-5-4.3 states in part:

"(a) At least seven (7) days before a contract for employment is entered into by a governing body and a school superintendent, the governing body shall hold a public meeting on the proposed contract at which public comment is heard. The governing body is not required to disclose the identity of the candidate for superintendent at the public meeting.

(b) Notice of the meeting on the proposed contract shall be given in accordance with IC 5-3-1 and posted on the school corporation's Internet web site."

ECA EDUCATIONAL FEES

The School Corporation charged educational fees. The School Corporation did not obtain a written opinion from the School Corporation's Attorney to verify fees were appropriate in regards to the Constitutional provisions. The Extra-Curricular Treasurer did not remit the collections of the educational fees to the School Corporation's central office for the audit period.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, 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 Extra-Curricular Accounts, Chapter 6)

PUBLIC RECORDS RETENTION

The School Corporation did not retain student account balance reports from the School Lunch system during the audit period. The reports should have been reconciled to the prepaid cash balance and retained for audit.

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

Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 3)

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

FEES

The following unauthorized fees were collected by the School Corporation: student activity fee in the amount of \$20 per student.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Nagy v. Evansville-Vanderburgh Sch. Corp., 844 N.E.2d 481, 492 (Ind. 2006) states in part:

"Only programs, activities, projects, services or curricula that are outside of or expand upon those identified by the legislature--what we understand to be "extracurricular"--may be considered as not a part of a publicly-funded education. And thus a reasonable fee may be assessed, but only against those students who participate in or take advantage of them."

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 17, 2015, with Michele Harrison, Treasurer; Michael F. Turner, Superintendent of Schools; Mark Swingle, School Board Secretary; and Terra D. Naylor, President of the School Board.