

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RICHMOND COMMUNITY SCHOOLS

WAYNE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED

05/14/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Robert K. Coddington Karen Scalf	07-01-12 to 03-07-14 03-08-14 to 12-31-15
Superintendent of Schools	Dr. Allen Bourff Dr. Betty Poindexter (Interim)	07-01-12 to 11-30-14 12-01-14 to 06-14-15
President of the School Board	Kelly Baumgartner Linda Morgason	01-01-12 to 12-31-12 01-01-13 to 12-31-15



STATE OF INDIANA
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TO: THE OFFICIALS OF THE RICHMOND COMMUNITY SCHOOLS, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Richmond Community Schools (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 Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes 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 Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

March 24, 2015

RICHMOND COMMUNITY SCHOOLS
FEDERAL FINDING

FINDING 2014-001 - INTERNAL CONTROL OVER REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Years: FY 2012-13 and FY 2013-14

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 and the Reporting compliance requirement. The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. 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 program.

The February 2013 claim reimbursement request for the child nutrition cluster was inspected. We could not determine if there was any review of the claim prior to submission for reimbursement. We then reviewed additional claim reimbursement requests and noted that none of requests contained evidence of review. Without proper review for accuracy, errors on the claim reimbursement request could occur and go undetected.

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 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. Non-compliance of 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 listed above.

RICHMOND COMMUNITY SCHOOLS
CORRECTIVE ACTION PLAN



Richmond Community Schools

300 Hub Etchison Parkway · Richmond, IN 47374
Phone (765) 973-3300

March 23, 2015

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CORRECTIVE ACTION PLAN

FINDING 2014-001, INTERNAL CONTROL OVER REPORTING

Federal Agency: Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): 2012-2013 and 2013-2014

Pass-Through Entity: Indiana Department of Education

Richmond Community Schools has reviewed procedures and will immediately implement suggested changes. In regards to controls over reporting in the area of Food Services, reimbursement request reports will be signed/initialled by the Food Services Coordinator and the preparer of the reimbursement request to create documentation of the approval process. Copies of all relative documentation to the request will be filed with one signed copy. A signed copy of the reimbursement request will be provided to the Director of Business Affairs as verification of approved submittal to be attached to the receipt for funds received.

Dr. Betty Poindexter, Superintendent
Richmond Community Schools

Karen Scalf, Treasurer
Richmond Community Schools

CC: Maggie LaRue, Food Service Coordinator

RICHMOND COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

PREPAID SCHOOL LUNCHES

Prepaid lunch receipts were not placed in Fund 8400 Prepaid lunch, but were instead accounted for in a separate line item in the School Lunch fund. When the money was spent, a negative entry was made to the line item and it was added to the correct line item. A balance of prepaid lunches was not maintained on the general ledger.

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 Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Administrator, Volume 183, September 2008)

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger. (Accounting and Uniform Guidelines Manual for Indiana Public School Corporations, Chapter 8)

RICHMOND COMMUNITY SCHOOLS
OFFICIAL RESPONSE



Richmond Community Schools

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March 23, 2015

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Response to Comment

Pre-Paid School Lunches

Richmond Community Schools has reviewed procedures and will implement suggested changes in regard to placement of Prepaid lunch funds placement in fund 8400. Fund 8400 will be established. Funds currently located in prepaid accounts will be transferred to fund 8400. Funds received as prepayment will be receipted to fund 8410. Use of prepaid funds will be reconciled daily and transferred on a routine basis from 8420 to fund 800 in the appropriate lunch fund account. Copies of all relative documentation to the request will be filed with one signed copy in the Food Services Department. One signed copy of the reimbursement request will be provided to the Director of Business Affairs as verification of approved submittal to be attached to the receipt when funds are received.



Dr. Betty Poindexter, Superintendent
Richmond Community Schools



Karen Scalf, Treasurer
Richmond Community Schools

CC: Maggie LaRue , Food Service Coordinator

RICHMOND COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2015, with Karen Scaf, Treasurer; Robert K. Coddington, former Treasurer; Dr. Betty Poindexter, Interim Superintendent of Schools; Mark Mills, Assistant Superintendent of Schools; and Jeff Slifer, Vice President of the School Board.