

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

KOKOMO SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
11/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Geralynn Smalling	07-01-12 to 06-30-14
	Michelle Cronk	07-01-14 to 09-07-14
	Leslie Rittenhouse	09-08-14 to 06-27-15
	Michelle Cronk	06-28-15 to 06-30-16
Superintendent of Schools	Jeff Hauswald	07-01-12 to 06-30-16
President of the School Board	Marsha Bowling	01-01-12 to 12-31-12
	Joe Dunbar	01-01-13 to 12-31-13
	Crystal Sanburn	01-01-14 to 12-31-14
	Cristi E. Brewer-Allen	01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE KOKOMO SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Kokomo 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

September 1, 2015

KOKOMO SCHOOL CORPORATION
FEDERAL FINDINGS

***FINDING 2014-001 - CASH MANAGEMENT, ELIGIBILITY,
SUSPENSION AND DEBARMENT, AND REPORTING***

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.556, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2012-13, 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 some of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Cash Management, Eligibility, Suspension and Debarment, and Reporting. 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 misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Cash Management

The School Corporation did not have adequate controls in place to ensure compliance with the Food Cash Management requirement.

Eligibility

There was no documented segregation of duties, such as an oversight, review, or approval of the school lunch free and reduced application approval process.

Suspension and Debarment

The School Corporation has not designed or implemented adequate policies and procedures to ensure that vendors have not been suspended or debarred from contractual agreements.

Reporting

Monthly claims for reimbursement and Annual Financial Reports are prepared by the Food Service Accountant and submitted electronically via the Department of Education website. Each report is completed and filed by one person with no review or oversight.

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 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.

KOKOMO 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."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements that have a direct and material effect of the programs 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 compliance requirements listed above.

FINDING 2014-002 - PROGRAM INCOME

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.556, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2012-13, 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 Program Income compliance requirements. 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. An internal control system 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.

The School Corporation has not established policies or procedures to ensure that the program income reported for the School Lunch fund was accurate based on the number and type of paid meals served. A separate fund to account for prepaid meals was not established. Program Income for the School Lunch fund could not be verified to the number and type of paid meals served.

7 CFR 3016.20(a) states in part:

"A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. . . ."

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, Page 3, September 2008)

KOKOMO 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."

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 School Corporation management establish controls, including segregation of duties, related to the grant agreement and the Program Income compliance requirements.

FINDING 2014-003 - CASH MANAGEMENT AND PERIOD OF AVAILABILITY

Federal Agency: Department of Health and Human Services

Federal Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year (or Other Identifying Number): FY 11-12, FY 12-13, FY 13-14

Pass-Through Entity: Direct Grant

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 Cash Management and Period of Availability compliance requirements. 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. An internal control system 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.

The School Corporation maintains the financial responsibility for the Kokomo Schools Head Start Program. The Business Manager prepares the financial reimbursement requests; however, each report is completed with no review or oversight.

The School Corporation did not establish controls to ensure that federal funds were obligated within the period of availability.

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 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.

KOKOMO 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."

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.

FINDING 2014-004 - CASH MANAGEMENT AND REPORTING

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): 12-3500, 13-3500, 14-3500
FY 2012-13, 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 Cash Management and Reporting compliance requirements. 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. An internal control system 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that reimbursement requests agreed with expenditures made during the period covered by the request. Two of the six reimbursement requests tested failed to have all supporting documentation to identify items reimbursed and to verify amounts expended.

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.

KOKOMO 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."

34 CFR 80.20 states in part:

"(b) 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.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

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 establish controls to ensure compliance with and comply with the grant agreement and the Cash Management and Reporting requirements of the program.



KOKOMO SCHOOL CORPORATION

Creating a Better World Through Education

Board of School Trustees

Cristi Brewer-Allen
President

Crystal Sanburn
Vice President

Marsha Bowling
Secretary

Jim Callane
Trustee

Lisa Ellison
Trustee

Michael Gault
Trustee

Stephanie McClelland
Trustee

Mission Statement

Our mission is to develop global-minded and compassionate lifelong learners for a changing world.

FINDING 2014-001

Contact Person Responsible for Corrective Action: Michelle Cronk, Director of Business/Treasurer
Contact Phone Number: 765-455-8000 ext. 315

Description of Corrective Action Plan:

Policy #6460 will be revised to reflect changes to necessary policies and procedures related to the suspension and debarment finding under the Federal Food Service program. The Board policy will have a first reading on September 2, 2015 and a second reading for approval on September 14, 2015. Additionally, the Director of Food Service will ensure that the policy is being followed as bids from vendors are received.

In response to the findings on cash management and reporting, all cash reimbursement requests and financial reports will be reviewed for accuracy and signed by either the Director of Business/Treasurer, the Assistant Business Manager/Deputy Treasurer or the Director of Food Service prior to submission.

Free and reduced applications are initially approved at the building level and then sent to the Food Service office for final approval. Food service personnel will review the applications and send them to the Director of Business/Treasurer, the Assistant Business Manager/Deputy Treasurer or the Director of Food Service for final approval.

Anticipated Completion Date: September 14, 2015

Michelle Cronk
(Signature)

Director of Business/Treasurer
(Title)

9/1/2015
(Date)



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FINDING 2014-002

Contact Person Responsible for Corrective Action: Michelle Cronk, Director of Business/Treasurer
Contact Phone Number: 765-455-8000 ext. 315

Description of Corrective Action Plan:

The prepaid food fund was established on July 1, 2015 for the beginning of the 2015-2016 school year. The Food Service Accountant will reconcile the prepaid food fund on at least a monthly basis. Additionally, the Food Service Accountant is maintaining a summary spreadsheet of uncollected student account balances. As accounts are paid off or deemed uncollectable by the school attorney, the spreadsheet is updated.

A board policy regarding limits to food credit balances will be presented to the Board for approval prior to the end of the 2015 calendar year to take affect January 1, 2016.

Anticipated Completion Date: January 1, 2016

Michelle Cronk
(Signature)

Director of Business / Treasurer
(Title)

9/1/15
(Date)



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Trustee

Mission Statement

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FINDING 2014-003

Contact Person Responsible for Corrective Action: Michelle Cronk, Director of Business/Treasurer
Contact Phone Number: 765-455-8000 ext. 315

Description of Corrective Action Plan:

Financial reimbursement requests will initially be completed by the Budgetary Grants Accountant and submitted to the Director of Business/Treasurer or designee for final approval. Financial reimbursement requests will be calculated using actual expenditure reports.

Anticipated Completion Date: Placed in effect for the 2015-2016 school year

Michelle Cronk
(Signature)

Director of Business / Treasurer
(Title)

9/1/2015
(Date)



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Lisa Ellison
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Michael Gault
Trustee

Stephanie
McClelland
Trustee

Mission Statement

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FINDING 2014-004

Contact Person Responsible for Corrective Action: Michelle Cronk, Director of Business/Treasurer
Contact Phone Number: 765-455-8000 ext. 315

Description of Corrective Action Plan:

Financial reimbursement requests will initially be completed by the Budgetary Grants Accountant and submitted to the Director of Business/Treasurer or designee for final approval. Financial reimbursement requests will be calculated using actual expenditure reports in order to verify amounts expended.

Anticipated Completion Date: Placed in effect for the 2015-2016 school year

Michelle Cronk
(Signature)

Director of Business / Treasurer
(Title)

9/1/15
(Date)

KOKOMO SCHOOL CORPORATION AUDIT RESULTS AND COMMENTS

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The governing body of the School Corporation did not establish a written policy for bad debts or credit balances related to the School Lunch fund. Unpaid student account balances totaled \$70,000 at the end of the 2012/2013 school year and \$78,304 at the end of the 2013/2014 school year. At the beginning of every school year, student account balances were adjusted to a maximum credit balance of \$15. Any amounts in addition to the \$15 were turned over to the School Corporation attorney for collection. Records were not presented to substantiate any outstanding amounts owed to the School Corporation at the current date. Upon review of individual balances owed to the School Corporation for each school year, we discovered several students had balances that exceeded \$500.

Textbook rental charges and technology fees are assessed to the students at the beginning of each school year and collected throughout the school year. At the end of each school year, any fees that have not been collected are sent to the attorney for collection. \$15,431 and \$21,393, respectively, was submitted to the attorney for collection at June 30, 2013, and June 30, 2014. The School Corporation did not provide any documentation showing how much was still owed to the School Corporation or how much of the balance had been collected, as of the current date.

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

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PREPAID FOOD CLEARING ACCOUNT

The School Corporation accounted for the prepaid food activity within the School Lunch fund. A separate clearing account for the prepaid food account activity was not established as prescribed.

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, Page 3, September 2008)

OFFICIAL BONDS

The bonds for the Treasurer, Business Manager/Deputy Treasurer, and Crime Insurance Policy for the Extra-Curricular Accounts were not properly payable to the State of Indiana as required per the Indiana Code.

All bonds must be made payable to the State of Indiana . . . (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

KOKOMO SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CONTRACTS

Changes to the Superintendent of Schools' Contract were made on June 3, 2014, during a public meeting. These changes resulted in the Superintendent of Schools receiving stipends in the amount of \$2,843 paid on June 20, 2014, and \$2,929 paid on December 12, 2014. The changes also included an additional \$5,169 contributed to his 401(a) account during the 2014/2015 school year for a total of \$10,941 of additional contractual expense to the School Corporation.

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.

(c) The notice provided in subsection (b) must:

- (1) state that on a given day, time, and place the governing body will meet to discuss and hear objections to and support for the proposed contract; and
- (2) set forth the details of the proposed contract, including the actual monetary value of the contract, benefits, and any additional forms of compensation for each year of the contract. . . ."

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

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

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

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)

CASH ADVANCES

We identified cash advances on the School Corporation's credit card statements. Further review indicated these were often used for exit fees from a foreign country; however, there were two instances totaling \$260 for cash advances and related charges in which no documentation was provided.

KOKOMO SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Cristi E. Brewer-Allen, President of the School Board, reimbursed the School Corporation \$260 for undocumented cash advances on July 20, 2015.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PENALTIES, INTEREST, AND OTHER CHARGES

The School Corporation paid penalties, interest, and other charges to Cardmember Services (credit card provider) in the amount of \$312 because the School Corporation did not remit payments on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)

TRAVEL POLICIES AND PROCEDURES

Travel related expenses at the School Corporation increased significantly from the 2010/2011 school year to the 2013/2014 school year. During the 2010/2011, 2011/2012, 2012/2013, and 2013/2014 school years travel and related expenses were \$259,535, \$366,986, \$351,010, and \$485,964, respectively. Travel expenses for the current 2014/2015 school year totaled \$559,842 through March 31, 2015. The School Corporation administered an International School program. Students frequently traveled abroad for training or curricular events and programs related to this designation. Students completed fundraisers to pay for much of their trip expenses; however, the School Corporation always paid the airfare for students on these trips from the General fund.

Our review of the internal control structure in place related to the monitoring and oversight of travel expenses lacked the detail necessary to adequately provide for the proper oversight by both the administration and the School Board.

Some trips were not approved by the School Board prior to the trip and various trip expenses were not supported with adequate documentation.

The School Corporation established a new travel policy that addresses the issues discussed above. The effective date of this policy was July 8, 2015.

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 forms of information processing are necessary for proper internal control.

KOKOMO SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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 Corporation, Chapter 9)

Indiana Code 20-26-5-4(a) states in part:

"In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf has the following specific powers: . . . (9) . . . when the governing body by resolution considers a trip by an employee of the school corporation or by a member of the governing body to be in the interest of the school corporation, including attending meetings, conferences, or examining equipment, buildings, and installation in other areas, to permit the employee to be absent in connection with the trip without any loss in pay and to reimburse the employee or the member the employee's or member's reasonable lodging and meal expenses and necessary transportation expenses. To pay teaching personnel for time spent in sponsoring and working with school related trips or activities."

EXCESSIVE OR UNREASONABLE TRAVEL EXPENSES

The travel policy presented failed to establish reasonable parameters for expenses. In one instance, the Superintendent of Schools, School Board members, and guests turned in a dinner bill of \$1,615 for reimbursement. This bill came out to approximately \$100 per plate. Reimbursements of \$50 per plate were received for the guests' meals.

Officials developed an internal control structure that formally established reasonable parameters for travel expenses. This policy was effective July 8, 2015.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)

INTERNAL CONTROLS RELATED TO PAYMENT OF CREDIT CARD CHARGES

The School Corporation had informal procedures designed to provide for the review of credit card statements; however, the procedures had weaknesses and were not always followed as designed. Per an administrative guideline, credit card statements were to be reviewed and reconciled with supporting documentation. Payment of the bill was to be completed only after the proper verification of all charges.

We noted instances where undocumented charges were paid without any evidence that a follow-up or investigation into the undocumented charges was conducted.

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 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)

KOKOMO SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on September 1, 2015, with Jeff Hauswald, Superintendent of Schools; Michelle Cronk, Treasurer; Rochelle Blunt, Assistant Business Manager; and Cristi E. Brewer-Allen, President of the School Board.



KOKOMO SCHOOL CORPORATION

Creating a Better World Through Education

**Board of School
Trustees**

September 1, 2015

Cristi Brewer-Allen
President

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Crystal Sanburn
Vice President

Dear Ms. David:

Marsha Bowling
Secretary

RE: OFFICIAL RESPONSE to Audit Results and Comments

Jim Callane
Trustee

Bad Debts and Uncollectible Accounts

The governing body will have a written policy with procedures approved by January 1, 2016. The policy and/or accompanying administrative guidelines will include:

- Amount, per student, that may be charged,
- Procedure for parent notification of debt,
- Alternate menu options,
- Method of payment recovery (small claims court, collections agency, etc.), and
- Procedure for addressing uncollectible accounts.

Lisa Ellison
Trustee

Michael Gault
Trustee

Prepaid Food Clearing Account

A prepaid food clearing account has been established and fully utilized since July 1, 2015.

Stephanie McClelland
Trustee

Official Bonds

Kokomo School Corporation has notified all bonding agencies representing the Corporation and this matter has been corrected.

Mission Statement

Our mission is to
develop global-minded
and compassionate
lifelong learners for a
changing world.

Contracts

Clarification of ambiguities related to the Superintendent's contract was presented by the Board attorney at a public meeting on June 3, 2014 and subsequently approved by the Board at said meeting. Legal counsel clarified contractual language established in 2010 and 2011. The contract was unchanged by this action. In the future, a public meeting on any proposed contract changes or new contracts will be held allowing public comment to be heard that complies with Indiana Code.

Average Daily Membership (ADM)-Lack of Records

New procedures have been implemented and building-level personnel will provide written certification on ADM reports beginning September 2015 and thereafter.

Cash Advances

The public funds utilized for this expense as part of a school function were not personal in nature. The expenses paid through the charges were incorrectly categorized by the vendor and incorrectly authorized by the credit card company. The credit company has been notified that cash advances are not to be accepted nor to be paid for any reason.

Penalties, Interest and Other Charges

Internal procedures have been strengthened to ensure that payments are remitted on a timely basis.

Travel Policies and Procedures

Travel expenses increased primarily due to trainings associated with new curricular programs including integrated arts, International Baccalaureate, and STEM. The majority of these costs were paid through grants and/or revenue from the Corporation's international student programs.

Unauthorized/Unapproved Travel

The school corporation often pays transportation costs for educational trips associated with school programs. The Indiana State Board of Accounts is assisting Kokomo School Corporation administrators on procedures for doing so going forward.

Excessive or Unreasonable Travel Expenses

While this was an isolated incident, a policy to enforce common practice was made effective July 8, 2015.

Internal Controls Related to Payment of Credit Card Charges

Internal controls related to the review of credit card statements have been strengthened through enhanced procedures.

Sincerely,



Dr. Jeff Hauswald
Superintendent



Michelle Cronk
Director of Business/Treasurer