

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION
FRANKLIN COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
05/12/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Pohlman	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Debbie Howell	07-01-12 to 06-30-16
President of the School Board	Robert Jewell Sara Duffy Kim Simonson	07-01-12 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



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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 FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

This report is supplemental to our audit report of the Franklin County 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 incorporated within this report, was not verified for accuracy.

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

February 23, 2016

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

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

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

Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to cash and investment, and receipts. The School Corporation Treasurer is primarily responsible for issuing receipts, depositing receipts, and reconciling the funds ledger to the depository balance. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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

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

FINDING 2014-002 - PREPARATION OF 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). After the School Corporation Treasurer prepares the SEFA, there was no control in place to ensure that the prepared SEFA was complete and accurate.

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.

During the audit of the SEFA, we noted the following errors:

1. The figures presented for audit for CFDA # 10.555, National School Lunch Program, were understated in the amount of \$16,581.
2. The figures presented for audit for CFDA # 84.027, Special Education_Grants to States, were understated in the amount of \$1,283,372.
3. The figures presented for audit for CFDA# 84.173, Special Education_Preschool Grants, were understated in the amount of \$20,718.
4. The figures presented for audit for CFDA # 84.010, Title I Grants to Local Educational Agencies, were understated in the amount of \$69,521.
5. The figures presented for audit for CFDA # 84.367, Improving Teacher Quality State Grants, were understated in the amount of \$55,364.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

6. The figures presented for audit for CFDA # 84.410, Education Jobs Fund, were understated in the amount of \$116,665.

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.

FRANKLIN COUNTY 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 CONTROL OVER CHILD NUTRITION CLUSTER

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): 2012-2013, 2013-2014

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 following compliance requirements: Cash Management, Eligibility, Reporting, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications.

Cash Management

The claims for reimbursement were prepared by the Food Service Director. The Food Service Director is also responsible for monitoring the cash balance of the School Lunch fund for compliance with Cash Management requirements. There was no oversight, review, or approval process to ensure compliance with Cash Management requirements.

Eligibility

The free or reduced price lunch applications were reviewed by one person at each building. There was no control in place, such as an oversight, review, or approval process to ensure that the eligibility determination was correct.

Reporting

The claims for reimbursement reports, the annual financial reports, and the verification summary reports were prepared and submitted by the Food Service Director. There was no control in place to ensure reports were accurate prior to submission.

Program Income

The School Board approved meal prices; however, there was no control in place to ensure that meal prices approved were being correctly charged by the individual schools.

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

The free and reduced price lunch applications were verified by the Food Service Director. There was no control in place to ensure that the verification of free and reduced price applications was properly completed.

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.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

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

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-004- INTERNAL CONTROL OVER SPECIAL EDUCATION CLUSTER (IDEA)

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Number): 14211-13-PN01, 14212-013-PN01,
14213-013-PN01, 14214-013-PN01,
99914-0-PN01, 45712-013-PN01,
45713-013-PN01, 45714-013-PN01

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 following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Level of Effort.

The School Corporation designated a fiscal agent to receive and manage the funding of the Special Education programs. We noted the following deficiencies in the internal control system:

Activities Allowed or Unallowed and Allowable Costs/Cost Principles:

The fiscal agent has one employee primarily responsible for processing payroll. There was no control in place to ensure that only employees performing Special Education activities were paid from the program.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Level of Effort

The School Corporation Treasurer prepares and submits maintenance of effort calculations to the fiscal agent. There was no control in place to ensure that the maintenance of effort calculations were accurate.

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

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

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

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-005 - SPECIAL TESTS AND PROVISIONS

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): 2012-2013, 2013-2014

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 Special Test and Provisions compliance requirements for Paid Lunch Equity.

The annual calculation for paid lunch equity was prepared by the Food Service Director. There was no control in place to ensure the calculation was accurate.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not retain the Paid Lunch Equity calculations for the fiscal years ended June 30, 2013 and 2014, to demonstrate compliance with paid lunch equity 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, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

7 CFR 210.14(e) states:

"*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."

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(6) Records to document compliance with the requirements in §210.14(e) . . ."

7 CFR 220.7(e)(13) states:

"Upon request, make all accounts and records pertaining to its nonprofit school food service available to the State agency, to FNS and to OA for audit or review at a reasonable time and place. Such records shall be retained for a period of three years after the end of the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the three-year period as long as required for resolution of the issues raised by the audit;"

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement 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 requirement listed above that has a direct and material effect to the program.



Franklin County Community School Corporation

225 E. 10TH Street • Brookville, Indiana 47012

Dr. Debbie Howell, Superintendent of Schools
Ms. Tammy Chavis, Assistant Superintendent

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Mr. Kim Simonson Member

CORRECTIVE ACTION PLAN

FINDING 2014-001 Internal Controls Over Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Sharon A. Pohlman
Contact Phone Number: 765-647-4128

Description of Corrective Action Plan:

1. The Payroll/Benefits Coordinator shall receipt all incoming checks, cash, processed ACH transactions, and direct deposits.
2. The Treasurer shall deposit funds into the appropriate bank.
3. The Accounts Payable/Purchasing Coordinator shall enter the receipts into the Komputrol System.
4. The Treasurer shall reconcile the bank(s) at the end of each month.

Anticipated Completion Date: January 12, 2016



(Signature)

Treasurer

(Title)

February 15, 2016

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2014-002 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Sharon A. Pohlman
Contact Phone Number: 765-647-4128

Description of Corrective Action Plan:

Audit adjustments were proposed, accepted by the School, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

In the future the Treasurer will enter the financial information to SEFA, using reports from Union County/College Corner Joint School District and other financial reports. The Treasurer will then print the reports from SEFA and give the reports and supporting documentation to the Payroll/Benefits Coordinator to review. If everything is correct the Payroll/Benefits Coordinator will sign to attest to that fact.

Anticipated Completion Date: January 1, 2016

Sharon A. Pohlman
(Signature)

Treasurer
(Title)

February 15, 2016
(Date)

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Mr. Kim Simonson	Member

CORRECTIVE ACTION PLAN

FINDING 2014-003 Internal Control Over Child Nutrition Cluster

Contact Person Responsible for Corrective Action: Sharon A. Pohlman and Courtney Halloran
Contact Phone Number: 765-647-4128 / 765-647-4960

Description of Corrective Action Plan:

Cash Management:

- a. In the event that there is more than a three-month average of expenditures in the School Lunch Account the following will take place:
 1. The Food Service Director will review the School Lunch account on a monthly basis.
 2. In the event there is a balance of more than a three-month average of expenditures, the Director of Food Services will contact the Treasurer and the Superintendent with this information.
 3. There will be a concerted effort to replace out dated Food Service equipment with this balance instead of using Capital Project Funds.

Eligibility:

- a. Free and Reduced applications will be received and reviewed by the cashier/secretary at each building.
- b. The applications will then be sent to the Food Service Director to be reviewed and approved ensure that the eligibility determination was correct for each application.

Reporting:

- a. The claims for reimbursements, annual financial reports, and verification reports will be completed and submitted by the Food Service Director.
- b. The monthly reimbursement claims, annual financial reports, and verification reports will then be reviewed by the School Treasurer to ensure that the reports are correct. If there are discrepancies between what is submitted, and what is correct, the Food Service Director will edit the previous submission. Then, the edited submission will be reviewed again by the School Treasurer.

Program Income:

- a. After the school board approves meal prices, Cafeteria Managers will review and ensure that the correct prices are being charged by their school. The Cafeteria Managers will sign off on the correct prices being charged. Then submit documentation to the Food Service Director.
- b. The Food Service Director will review and sign each building's price implementation and charges documentation and will keep on file.
- c. This will take place at the beginning of each school year.

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Special Provisions:

- a. The Food Service Director will verify the free and reduced applications.
- b. The Verification Summary Report will be submitted to the School Treasurer to ensure that the verification process was properly completed.
- c. This will take place each December.

Anticipated Completion Date: February 9, 2016

Sharon A. Bohman
(Signature)

Treasurer
(Title)

February 15, 2016
(Date)



Franklin County Community School Corporation

225 E. 10TH Street • Brookville, Indiana 47012

Dr. Debbie Howell, Superintendent of Schools
Ms. Tammy Chavis, Assistant Superintendent

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Mr. Charles Sprague Secretary
Mr. Francis Brumback Member
Mrs. Beth Foster Member
Mr. Rick Gill Member
Mr. Kim Simonson Member

CORRECTIVE ACTION PLAN

FINDING 2014-004 Internal Control Over Special Education Cluster (IDEA)

Contact Person Responsible for Corrective Action: Sharon A. Pohlman
Contact Phone Number: 765-647-4128

Description of Corrective Action Plan:

The Treasurer at Union County/College Corner Special Education will verify and sign off on any payroll reports generated for Franklin County Community School Corporation's payroll that is paid by grants for which UC/CC is the LEA.

The Treasurer at Franklin County Community School Corporation will complete the annual Maintenance of Effort reports as they deal with the Special Education Grants coming through Union County/College Corner. The Superintendent of FCCSC will verify and sign an attestation before it is forwarded to Liza Bates at Union County/College Corner Joint School District.

Anticipated Completion Date: January 1, 2016

Sharon A. Pohlman
(Signature)

Treasurer
(Title)

February 15, 2016
(Date)

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Ms. Tammy Chavis, Assistant Superintendent

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Mr. Francis Brumback Member
Mrs. Beth Foster Member
Mr. Rick Gill Member
Mr. Kim Simonson Member

CORRECTIVE ACTION PLAN

FINDING 2014-005 Special Tests and Provisions

Contact Person Responsible for Corrective Action: Courtney Halloran

Contact Phone Number: 765-647-6040

Description of Corrective Action Plan:

The Paid Lunch Equity is to be prepared by the Food Service Director. The Food Service Director shall calculate lunch price increase requirement and non-Federal source contributions to meet the Healthy, Hunger-Free Kids Act of 2010. Paid Lunch Equity calculation shall be completed annually.

- a. Using the total number of paid lunches claimed for the month of October of the previous school year, at each different school, the Food Service Director will determine the average price of paid lunches.
- b. Food Service Director shall calculate and compare the state reimbursement difference to the paid lunch prices.
- c. These calculations will be reviewed by the Food Service Director, and then reviewed by the School Treasurer. Then will be kept on record.

These tools and procedures will be utilized to determine the upcoming school year's lunch prices, to be approved by the school board, and ensured by cafeteria Cashiers, Managers, and the Food Service Director that they are implemented in each school.

Anticipated Completion Date: February 9, 2016

Shawn A. Bohmer
(Signature)

Treasurer
(Title)

February 15, 2016
(Date)

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FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

EDUCATIONAL FEES

The School Corporation charged various educational fees, but did not have written guidance from the School Corporation Attorney concerning whether the fees were appropriate in regards to the Constitutional provisions.

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)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

The School Board did not establish a bad debt policy concerning student school lunch account balances. As of June 30, 2014, 611 students had negative balances in their individual school lunch accounts that totaled \$5,544.

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

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

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

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2016, with Sharon Pohlman, Treasurer; Dr. Debbie Howell, Superintendent of Schools; and Kim Simonson, President of the School Board.