

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

AUDIT REPORT
OF
CLINTON PRAIRIE SCHOOL CORPORATION
CLINTON COUNTY, INDIANA
July 1, 2009 to June 30, 2011



FILED
04/19/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amanda Mitchell	07-01-09 to 06-30-12
Superintendent of Schools	Charles Fink	07-01-09 to 06-30-12
President of the School Board of Trustees	Craig Seager Dr. Timothy Snyder	07-01-09 to 06-30-10 07-01-10 to 06-30-12



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TO: THE OFFICIALS OF CLINTON PRAIRIE SCHOOL CORPORATION

We have audited the records of the Clinton Prairie School Corporation for the period from July 1, 2009 to June 30, 2011, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Clinton Prairie School Corporation for the year 2011.

STATE BOARD OF ACCOUNTS

January 26, 2012

CLINTON PRAIRIE SCHOOL CORPORATION
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS

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. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to undetected.
2. Monitoring of Controls: Effective internal control over financial reporting requires the School Board of Trustees to monitor and assess the quality of the School Corporation's system of internal control. The School Board of Trustees has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the School Corporation at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls.

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 objections, 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)

TRAVEL CLAIMS

The Superintendent of Schools received \$3,000 as a mileage reimbursement payment in January 2010 for the 2010 calendar year and in January 2011 for the 2011 calendar year. The employment contract states that he is entitled to \$3,000 per calendar year as a mileage reimbursement payment. These payments were made in advance of the actual mileage being incurred and Form 101, Mileage Claim, was not maintained showing the actual miles traveled. This was brought to the attention of the Treasurer and the Superintendent and the Superintendent subsequently provided mileage logs to support the payment of the \$3,000 for associated travel.

Administrators, teachers and other employees may be reimbursed for actual miles traveled in their own motor vehicles on official business of the school corporation at a reasonable rate per mile as fixed by a resolution of the school board. Reimbursement mileage shall not include travel to and from the employee's home and place of employment. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable. The odometer reading columns on the form are to be used only when distance between points cannot be determined by fixed mileage or official state highway map. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 2)

CLINTON PRAIRIE SCHOOL CORPORATION
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Official Opinion 74 of the Indiana Attorney General, issued in 1953, concluded there is no statutory authority for payment of a fixed amount of travel allowance to public employees and that a public employer may not reimburse an employee for travel expenses which is, in fact, not incurred by the employee. Also, there is no authority for a travel allowance to be paid without regard to the number of miles, if any, traveled.

Therefore, the State Board of Accounts is of the audit position that a fixed amount for travel allowance should not be paid. The prescribed method is to reimburse the employee for travel on the basis of a claim filed on Mileage Claim, Form 101, for reimbursement at the rate per mile as established by the local board of school trustees for all employees of the school corporation. (The School Administrator and Uniform Compliance Guidelines March 2010, Volume 189)

TRAVEL TO SCHOOL BOARD ASSOCIATION MEETING

In reviewing travel disbursements during the audit period, we noted instances where the expenses did not appear to be reasonable or necessary. The Superintendent of Schools and three School Board of Trustees members attended a School Board Association meeting in San Francisco in April 2011. Although the registration stated that the meeting began on April 9th and ended on April 11th, three of the Board members flew in on April 7 and were paid \$50 per diem for April 8th on which no meetings were held. The Superintendent of Schools arrived on April 8th and remained until April 13 and received \$50 per diem for April 12th when no meetings were held. The total additional cost for these payments was \$200. Through the use of the corporate credit card the School Corporation paid for hotel rooms at \$248.50 per night for those days when no meetings were being held resulting in a total additional cost of \$994. (Three Board members hotel charge on April 7th at \$248.50 per night and the Superintendent's hotel charge on April 12th at \$248.50 per night)

During the San Francisco trip, the Superintendent of Schools was reimbursed \$100 for the rental of a limousine for transportation from the hotel to a restaurant. In addition, one Board member was reimbursed \$359.38 for mileage to Chicago, a hotel stay in Chicago, and transportation from that hotel to the airport so he could fly to San Francisco for the meeting. There was no documentation presented for audit that any School Corporation business was conducted in Chicago during that trip. We also noted instances where reimbursements were paid without the actual receipt provided.

Even though the School Corporation employees could not locate an approved travel policy, we were given a copy of the January 2003 board minutes which documented that the School Board of Trustees approved an increase in the amount of per diem allowed for administrators and school board members from \$25 to \$50 while in travel status.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CLINTON PRAIRIE SCHOOL CORPORATION
CLINTON COUNTY
AUDIT RESULTS AND COMMENTS
(Continued)

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 on pay and to reimburse the employee of the member the employee's or member's reasonable lodging and meal expenses and necessary transportation expenses. Indiana Code 20-26-5-4(9) (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CREDIT CARDS

The School Corporation was using credit cards in some instances to purchase items without supporting documents such as original receipts or invoices. Payments were made based on the credit card statements only. We noted \$333.69 was spent on meals with no documentation of who was present at or the reason for the meals. We also noted \$25 spent on parking, \$439.17 was spent on goods purchased from websites, and \$180 was paid to airline with no detailed receipts, invoices or any documentation of expense other than the credit card statement.

In addition, purchases were being made that bypass the accounts payable system, such as the purchase of a hard drive, computer software, virus protection software and other computer applications that did not have a purchase order.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

CLINTON PRAIRIE SCHOOL CORPORATION
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AUDIT RESULTS AND COMMENTS
(Continued)

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

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

HONORS GRADUATES - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates honors graduates enrollment figures on the electronic report that is required to be filed with Indiana Department of Education, were incorrect for the School Corporation years ending June 30, 2010 and 2011.

The honors graduates counts for 2010 and 2011 were from graduating class of 2009 and 2010 respectively. The difference between the count reported on the electronic report and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Electronic Report</u>	<u>Actual Graduation Figures</u>	<u>Difference</u>
2009-2010	Honors Graduates - 2009	12	10	2
2010-2011	Honors Graduates - 2010	14	13	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

FEES

The School Corporation, at the time of charging and collecting textbook rental fees, requires other fees to be paid including, but not limited to, Convocation Fees, Report Card Fees, Postage Fees, Processing Fees, and Technology Fees. The School Corporation officials could not always provide documentation to verify students received consumable goods or services equal to the fee charged. These General Fees ranged from \$20 to \$60 per student. The Technology fee includes software licensing costs, automatic telephone calling and parental access to the student software. The Processing Fee includes, envelopes, mailing labels, permanent record folders, and receipt forms.

CLINTON PRAIRIE SCHOOL CORPORATION
 CLINTON COUNTY
 AUDIT RESULTS AND COMMENTS
 (Continued)

The Constitution of the State of Indiana, Article 8, Section 1 states:

"Knowledge and learning, generally diffused throughout a community, being essential to the preservation for a free government; it shall be the duty of the General Assembly to encourage, by all suitable means, moral, intellectual, scientific, and agricultural improvement; and to provide, by law, for a general and uniform system of Common Schools, wherein tuition shall be without charge, and equally open to all."

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 Indiana Public School Corporations, Chapter 9)

TEXTBOOK RENTAL CALCULATIONS

The Elementary School is charging more than 25 percent of the actual cost of the textbook annually. The School calculates the cost of the total of all textbooks purchased and prorates that total cost over the number of students that are enrolled, resulting in the inclusion of the cost of purchased but unused books for the year in the student's book rental fee.

Indiana Code 20-26-12-2 states in part:

"(a) A governing body may purchase from a publisher, any textbook selected by the proper local officials. The governing body may rent these textbooks to students enrolled in any public or nonpublic school that is: (1) in compliance with the minimum certification standards of the state board; and (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the textbooks. . . ."

APPROPRIATIONS

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

Fund	Year	Amount
Transportation Operating	2010	\$ 79,242
Capital Projects	2010	139,525

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."

CLINTON PRAIRIE SCHOOL CORPORATION
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OVERDRAWN FUND BALANCES

The following funds were overdrawn at June 30, 2010 and June 30, 2011:

Fund	2010	2011
General Fund	\$ -	\$ 38,301
Debt Service	337,327	-
Capital Projects	749,329	24,755
Transportation Operating	336,229	14,311
Bus Replacement	336,229	-
Preschool	141,561	-
Retirement/Severance	29,830	87,545
Textbook Rental	20,700	7,950

The 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)

TRANSPORTATION FUND EXPENDITURES - PRINCIPALS AND TEACHERS

Effective with the first pay period in February 2010, the entire salary of the High School Principal was paid from the Transportation Fund. The Principal's contract states he is paid \$1,500 additional compensation as Transportation Director.

Indiana Code 20-40-6-6(a) states in part: "The following costs are payable from the fund: (1) The salaries paid to bus drivers, transportation supervisors, mechanics and garage employees, clerks, and other transportation-related employees . . ."

Indiana Code 20-40-6-6(b) states:

"Percentages, or parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the school transportation fund."

CAPITAL PROJECTS FUND PAYROLL EXPENDITURES

During the audit period, portions of the salaries of three Extra-Curricular Treasurers and two maintenance personnel were paid from the Capital Projects Fund.

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(Continued)

Indiana Code 20-40-8 states in part:

"Sec. 6. A school corporation may establish a capital projects fund . . . Sec. 13 Money in the fund may be used for the following purposes: . . . (2) To pay for the services of full-time or part-time computer maintenance employees...Sec 16. (a) For purposes of this section, maintenance does not include janitorial or comparable routine services normally provided in the daily operation of the facilities or equipment. (b) Subject to this section, money in the fund may be used to pay for services of school corporation employees who are (1) bricklayers; (2) stone masons; (3) cement masons; (4) tile setters; (5) glaziers; (6) insulation workers; (7) asbestos workers; (8) painters; (9) paperhangers; (10) drywall applicators and tapers; (11) plasterers; (12) pipe fitters; (13) roofers; (14) structural and steel workers; (15) metal building assemblers; (16) heating and air conditioning installers; (17) welders; (18) carpenters; (19) electricians; or (20) plumbers as these occupations are defined in the United States Department of Labor, Employment and Training Administration, Dictionary of Occupational Titles, Fourth Edition, Revised 1991. (c) Payment may be made under this subsection for employee services described in subsection (b) only if: (1) the employees perform: (A) construction on: (B) renovation of; (C) remodeling of; (D) repair of; (E) maintenance on the facilities an equipment specified in sections 10 and 11 of this chapter; (2) the total of all annual salaries and benefits paid by the school corporation to employees described in this section is at least six hundred thousand dollars (\$600,000); and the payment of the employees is described in this section is included as part of the school's proposed plan. (d) The number of employees covered by this section is limited to the number of employee positions described in this section that existed in the school corporation on January 1, 1993. . . ."

PROMOTIONAL APPROPRIATIONS

In reviewing disbursements paid by the School Corporation's credit card, we noted numerous payments for meals at local restaurants and food purchases for meetings. We noted other disbursements for retirement gifts and meals. The School Corporation had established a promotional appropriation of \$6,000 but these payments were not posted to that appropriation instead were posted to Superintendent Meetings and Superintendent Office Supplies. It was difficult to determine the total amount paid on these items since they were combined with other expenses; however it appears that the total spent was below the \$3,000 limit. The \$6,000 appropriation exceeds the limit of \$3,000 allowable by statute. The ADM count for the previous two years was below 1,000. The Treasurer has corrected the appropriation for the 2012 budget and will post all applicable expenses to this appropriation.

Indiana Code 20-26-5-4 states in part:

"In carrying out the school purposes of a school corporation, the governing body acting on the school corporation's behalf ahs the following specific powers: . . . (3) to appropriate from the school corporation's general fund and amount, not to exceed the greater of three thousand dollars (\$3,000) or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (\$12,500), based on the school corporation's previous year's ADM, to promote the best interests of the school corporation through: (A) the purchase of meals, decorations, memorabilia, or awards; (B) provision for expenses incurred in interviewing job applicants; or (C) developing relations with other governmental units . . ."

CLINTON PRAIRIE SCHOOL CORPORATION
CLINTON COUNTY
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2012, with Dr. Timothy Snyder, President of the School Board of Trustees; Charles Fink, Superintendent of Schools; and Amanda Mitchell, Treasurer. The officials concurred with our audit findings.