

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTH KNOX SCHOOL CORPORATION

KNOX COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
10/23/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Peggy E. Smith (Vacant) Terri Roesler (Interim) Terri Roesler	07-01-12 to 08-28-12 08-29-12 to 09-09-12 09-10-12 to 11-18-12 11-19-12 to 06-30-16
Superintendent of Schools	Dr. Darrel L. Bobe	07-01-10 to 06-30-16
President of the School Board	James Dotson (Vacant) Elaine Pepmeier	07-01-12 to 04-01-13 04-02-13 to 04-16-13 04-17-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH KNOX SCHOOL CORPORATION, KNOX COUNTY, INDIANA

This report is supplemental to our audit report of the North Knox 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 15, 2015

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - 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). 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: Child Nutrition Cluster expenditures of \$416,521 were omitted for the school year 2013-2014. 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.

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (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 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The School Corporation has not separated incompatible activities related to receipts and payroll disbursements. The Treasurer issues all receipts, posts the receipts to the ledger, prepares the deposit slips, and takes the deposits to the bank. The Deputy Treasurer performs all payroll duties for the Corporation. The failure to establish controls in these areas could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

Control activities should be selected and developed at various levels of the School Corporation to reduce risks of error and/or fraud of the financial statement.

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 2014-003 - ALLOWABLE COSTS

Federal Agency: U.S. 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): S010A
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 over payroll, and time and effort reporting, related to the grant agreement and the Allowable Costs compliance requirement. 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.

Approximately 98 percent of the funds disbursed from the Title I program were for compensation or personal services. One employee was solely responsible for preparing and generating the payroll. The School Corporation also has not established controls to ensure that personnel activity reports were prepared monthly and retained for audit.

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation has several employees who work on multiple activities or cost objectives, including Title I duties. When employees work on multiple activities, the grantee is required to support the salaries paid with personnel activity reports for the grant personnel. Inquiry of the Grant Coordinator, along with a review of grant files, determined that the personnel activity reports required to support compensation under OMB Circular A-87 were not available for audit.

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."

OMB Circular A-87 Attachment B, Section 8(h), Compensation for personal services, states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) . . .

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee."

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

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

FINDING 2014-004 - REPORTING

Federal Agency: U.S. 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): S010A
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 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.

One employee was solely responsible for the preparation and submission of the Annual Expenditure Reports. There was no control in place to ensure that the submitted reports were accurate.

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. Noncompliance 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 compliance requirements listed above.

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

***FINDING 2014-005 - SPECIAL TESTS AND PROVISIONS -
PARTICIPATION OF PRIVATE SCHOOL CHILDREN***

Federal Agency: U.S. 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): S010A
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system over compliance with the Special Test and Provision of Participation - Private School Children. 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.

The School Corporation did not conduct consultations with private school officials to determine the kind of educational services to provide to eligible private school children regarding Title I Local Educational Grants requirements.

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."

20 USC 7881(c)(1) states in part:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials during the design and development of the programs under this chapter, on issues such as—

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services;
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel and the amount of funds available for those services; and
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of contract services through potential third-party providers."

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 the School Corporation's management establish controls, to ensure compliance and comply with the grant agreement and compliance requirements listed above.

FINDING 2014-006 - INTERNAL CONTROLS OVER THE SPECIAL EDUCATION CLUSTER

Federal Agency: U.S. Department of Education

Federal Program: Special Education - Grants to States

CFDA Numbers: 84.027

Federal Award Number and Year (or Other Identifying Number): 14213-034-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: Allowable Costs, Cash Management, Period of Availability, 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 the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Approximately 95 percent of the funds disbursed from the Special Education program were for compensation or personal services. One employee was solely responsible for preparing and generating payroll. There was no control in place to ensure that the payrolls processed were accurate and all costs were allowable.

The School Corporation Treasurer was solely responsible for preparing and submitting the monthly reimbursement requests; ensuring that obligations for expenditures made with program funds were within the period of availability; and preparing and submitting the final reports for the Special Education program. There were no controls in place to ensure the reimbursement requests and reports were accurate and the period of availability requirements were met.

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."

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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 related to the compliance requirements listed above.

FINDING 2014-007 - INTERNAL CONTROLS OVER THE EDUCATION JOBS FUND

Federal Agency: U.S. Department of Education

Federal Program: Education Jobs Fund

CFDA Number: 84.410

Federal Award Number and Year (or Other Identifying Number): 2010 843410A

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 Allowable Costs 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.

The funds disbursed from the Education Jobs Fund program were entirely for compensation of certified personnel. One employee was solely responsible for preparing and generating payroll. There was no control in place to ensure that the payrolls processed were accurate and all costs were allowable.

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, 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."

NORTH KNOX SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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.

NORTH KNOX SCHOOL CORPORATION

Board of School Trustees

Elaine Pepmeier
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V. Max Nickless
Vice-President

James E. Franklin
Secretary

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Dr. Darrel L. Bobe
Superintendent

Tricia Hall
Curriculum Director

Terri L. Roesler
Business Manager / Treasurer

Debbie Utt
Payroll/Personnel

Rhonda Priest
Secretary / Transportation Director

Ethan Singleton
Technology Coordinator

Kevin Curtis
Director of Buildings & Grounds

July 27, 2015

CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

FINDING 2014-001

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer
Contact Phone Number: 812-735-4434

Description of Corrective Action:

The ability to segregate duties is limited based on the number of individuals employed within the Central Office. Therefore, we have implemented procedures to cross check work. The Child Nutrition Cluster was omitted from the SEFA in error on the part of the Treasurer not realizing this program was considered a part of the Federal Grants.

Procedures have been put into place whereby the Superintendent signs/initials all reports prior to their submission.

Anticipated Completion Date:

The Child Nutrition Cluster will be included in future SEFA reports presently due the end of August, 2015 and will be presented to the Superintendent for his review and signature prior to submission.

FINDING 2014-002

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer
Contact Phone Number: 812-735-4434

Description of Corrective Action:

The ability to segregate duties is limited based on the number of individuals employed within the Central Office. Therefore, we have implemented procedures to cross check work. The Treasurer and/or Deputy Treasurer/Payroll Clerk may physically take checks to the bank. The Treasurer posts receipts to the bank only after the information has been reviewed and signed by the Payroll Clerk (or Superintendent in her absence) to verify accuracy.

The Payroll Clerk presents her Trial Journal to the Treasurer (or Superintendent in her absence) to review for accuracy and/or abnormalities. The Trial Journal is signed to verify it has been reviewed before the Payroll Clerk prints payroll checks.

Anticipated Completion Date:

Procedures were implemented May 2015 whereby the Treasurer and Payroll Clerk have receipt reports and payroll Trial Journals reviewed for accuracy and signed prior to posting and printing of checks.

All checks received by the Deputy Treasurer/Payroll Clerk are physically taken to the bank by the Treasurer. Checks submitted directly to the Treasurer are taken to the bank by the Deputy Treasurer/Payroll Clerk.

Section III Federal Award Findings and Questioned Costs

FINDING 2014-003

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer
Contact Phone Number: 812-735-4434

Description of Corrective Action:

The ability to segregate duties is limited based on the number of individuals employed within the Central Office. Therefore, we have implemented procedures to cross check work. Prior to running payroll checks and submitting tax information, the Payroll Clerk will have either the Treasurer or Superintendent review edit reports to check for any abnormalities and sign or initial the form.

The Treasurer and Title I Coordinator will have staff members paid from Title I Funds sign DOE Semi-Annual Certification Activity Report for Employees forms. Copies of the forms will be kept on file for audit purposes.

Anticipated Completion Date:

The Payroll Clerk began the procedure of having payroll edit forms reviewed and signed/initialed by the Treasurer or Superintendent May 2015.

DOE Semi Annual Certification Activity Report forms will be completed with the start of the 2015-16 school year.

FINDING 2014-004

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer

Contact Phone Number: 812-735-4434

Description of Corrective Action:

The ability to segregate duties is limited based on the number of individuals employed within the Central Office. Therefore, we have implemented procedures to cross check work. Prior to submitting expenditures reports, the Treasurer will have the Superintendent review the request for reimbursement form to check for any abnormalities and sign or initial the form.

Anticipated Completion Date:

The Treasurer began the procedure of having the Superintendent review and sign/initial reimbursement request forms prior to submission in May 2015.

FINDING 2014-005

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer

Contact Phone Number: 812-735-4434

Description of Corrective Action:

The Treasurer and/or Title I Coordinator will submit a letter to the private school located in the our county prior to submitting the Title I budget for the incoming school year requesting they indicate whether they would like to participate in the grant. A request will also be made to the private school for a roster of their free and reduced students to determine if there are any students attending from the North Knox School Corporation district who may be eligible for Title I services.

Anticipated Completion Date:

The Treasurer and/or Title I Coordinator will obtain a roster of free and reduced students attending the private school in our county after the start of the 2015-16 school year to gather information for the 2016-17 budget application.

A letter of request will be sent to the private school asking if they would like to participate in our Title I program in May 2016 prior to applying for the next year Title I budget.

FINDING 2014-006

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer

Contact Phone Number: 812-735-4434

Description of Corrective Action:

The ability to segregate duties is limited based on the number of individuals employed within the Central Office. Therefore, we have implemented procedures to cross check work. Prior to running payroll checks and submitting tax information, the Payroll Clerk will have either the Treasurer or Superintendent review edit reports to check for any abnormalities and sign or initial the form.

Prior to submitting the budget application, expenditure requests and final reports, the Treasurer will have the Superintendent review the reports to check for any abnormalities or discrepancies and sign the forms prior to submission.

Anticipated Completion Date:

The Payroll Clerk began the procedure of having payroll edit forms reviewed and signed/initialed by the Treasurer or Superintendent May 2015.

The Treasurer will have the Superintendent sign or initial the budget application and final report forms with the start of the 2015-16 school year. Expenditure requests have been signed by the Superintendent since the 2014-15 school year.

FINDING 2014-007

Contact Person Responsible for Corrective Action: Terri Roesler, Treasurer

Contact Phone Number: 812-735-4434

Description of Corrective Action:

The ability to segregate duties is limited based on the number of individuals employed within the Central Office. Therefore, we have implemented procedures to cross check work. Prior to running payroll checks and submitting tax information, the Payroll Clerk will have either the Treasurer or Superintendent will review edit reports to check for any abnormalities and sign or initial the form.

Prior to submitting the budget application, expenditure requests and final reports, the Treasurer will have the Superintendent review the reports to check for any abnormalities or discrepancies and sign the forms prior to submission.

Anticipated Completion Date:

The Payroll Clerk began the procedure of having payroll edit forms reviewed and signed/initialed by the Treasurer or Superintendent May 2015.

The Treasurer will have the Superintendent review and approve by signing/initialing the budget, expenditure requests and final reports for all future grants with the start of the 2015-16 school year.



Dr. Darrel Bobe, Superintendent



Terri Roesler, Treasurer

NORTH KNOX SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL LUNCH ACCOUNTS

Receipts from students who prepay for food are receipted directly into the School Lunch fund instead of the clearing account established for prepaid food.

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 Vol.183)

OVERDRAWN CASH BALANCE

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following fund with an overdrawn cash balance at June 30, 2013:

<u>Fund</u>	<u>Amount Overdrawn</u>
Payroll Clearing	<u>\$ 4,927</u>

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ECA EDUCATIONAL FEES

The School Corporation's Extra-Curricular Account Treasurers collected educational fees as part of the students' textbook rental fees. The Extra-Curricular Treasurers did not remit the collections of the educational fees to the School Corporation's central office in a timely manner. In addition, the School Corporation did not obtain a written opinion from the School Corporation's attorney to verify that fees were appropriate in regards to Constitutional provisions.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

NORTH KNOX SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

TEXTBOOK RENTAL FEES

The School Board did not approve the high school textbook rental fees prior to the start of both school years during the audit period. Estimated payments for textbook rental fees were collected from students each year prior to the School Board's approval of the fees.

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)

COMPENSATION AND BENEFITS

Compensation and benefits were paid to administration office employees without salary ordinances or resolutions on file for both years of the audit period. The salaries paid were in agreement with worksheets prepared and maintained by the administration office; however, board approved salary ordinances were not provided for audit.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the Knox County Treasurer for calendar years 2013 and 2014.

Indiana Code 6-1.1-22-14(a) states in part:

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision and the township executive shall certify the names and addresses of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

NORTH KNOX SCHOOL CORPORATION

Board of School Trustees

Elaine Pepmeier
President

V. Max Nickless
Vice-President

James E. Franklin
Secretary

Jarrold M. Chattin
Member

L. Vaughn Huey
Member

11110 N. STATE ROAD 159
BICKNELL, IN 47512

(812) 735-4434 • (812) 882-7538
FAX: (812) 328-6262

Dr. Darrel L. Bobe
Superintendent

Tricia Hall
Curriculum Director

Terri L. Roesler
Business Manager / Treasurer

Debbie Utt
Payroll/Personnel

Rhonda Priest
Secretary / Transportation Director

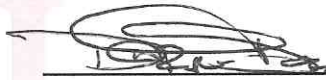
Ethan Singleton
Technology Coordinator

Kevin Curtis
Director of Buildings & Grounds

OFFICIAL RESPONSE

COMPENSATION AND BENEFITS

Compensation and benefits were presented in spreadsheet format and approved by the Board of School Trustees for Central Office Employees: Treasurer, Deputy Treasurer/Payroll, Transportation Director, Secretary and Technology Coordinators. The spreadsheet was not formally signed by Board members. Board members will sign future spreadsheets.



Dr. Darrel Bobe, Superintendent

July 27, 2015

NORTH KNOX SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2015, with Dr. Darrel L. Bobe, Superintendent of Schools; Terri Roesler, Treasurer; and Elaine Pepmeier, President of the School Board.

The contents of this report were discussed on September 15, 2015, with Dr. Darrell L. Bobe, Superintendent of Schools; Terri Roesler, Treasurer; and Max Nicless, Vice President of the School Board.