

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TRI-TOWNSHIP CONSOLIDATED SCHOOL CORPORATION

LAPORTE COUNTY, INDIANA

July 1, 2013 to June 30, 2014



FILED
02/12/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Investments	4
Approval of Claims	4-5
Spending In Excess of Appropriations	5
Overdrawn Cash Balance.....	5
Prepaid School Lunch Accounts.....	5-6
Textbook Rental and Educational Fees	6
Composition of Receipts.....	6-7
Official Bonds.....	7
Exit Conference	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Judith Roslansky	07-01-13 to 12-31-15
Superintendent of Schools	Timothy P. Somers	07-01-13 to 06-30-16
President of the School Board	Timothy Guse	07-01-13 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TRI-TOWNSHIP CONSOLIDATED
SCHOOL CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our examination report of the Tri-Township Consolidated School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement Examination Report of the School Corporation, which provides our opinion on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

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 Examination 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 Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

October 14, 2015

TRI-TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

INVESTMENTS

Investments of \$1,881,361 were not included in the School Corporation's financial records or reported in the financial statement presented for examination. In addition, Certificates of Deposits were rolled over and the interest earned was reinvested, not recorded in the financial records.

PROCEDURE FOR POSTING RECORDS AT THE TIME INVESTMENTS ARE PURCHASED OR SOLD

1. At the time investments are purchased, the treasurer and/or bookkeeper should enter the full cost of the securities (purchase price plus accrued interest) as a disbursement from the fund or funds from which the investment is made. Where investment is made from "total monies on deposit," the warrant issued will not be posted in the ledger, but a memorandum account should be set up in a separate section of the ledger to which investment transactions will be posted.
2. When investment is made from a specific fund, a new fund entitled "Investments Fund" should be set up on the records. The net price (purchase price less accrued interest) should be entered as a receipt to this fund.

The Investment Register, General Form 350, should be used for keeping a record of all investments purchased by the political subdivision.

3. Interest received in such investments by fund should be entered as a receipt to the fund from which the investment was purchased. Interest received from investment of total monies on deposit should be receipted to the general fund or the fund specified by the governing board.
4. When the investments by fund are sold, the full amount of such sale should be entered as a receipt to the fund from which the investment was made. The receipt should show separately the principal (purchase price) received and the interest received from the investment. At this time, the net purchase price (purchase price less accrued interest) should also be entered as a disbursement from the "Investments Fund."

When the investment from total monies on deposit is sold the principal (purchase price) will not be posted as a receipt to the ledger but the interest thereon will be posted as a receipt to the general fund or fund designated by governing board. Proper entry shall be made also in the memorandum account, as well as in the Investment Register.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 14)

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 14)

APPROVAL OF CLAIMS

During the examination period, we noted that claims were not completed for various utility bills including telephone, water, gas and electric, and trash services, which circumvented the claim process. In addition, all payroll withholding payments including health insurance, Federal and State Taxes, and Social Security and Medicare payments were not on the claims docket and, therefore, not approved by the School Board either prior to or subsequent to payment.

TRI-TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

SPENDING IN EXCESS OF APPROPRIATIONS

The records presented for examination indicated that the School Corporation expended \$51,033 in excess of budgeted appropriations from the Rainy Day fund for 2013.

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."

OVERDRAWN CASH BALANCE

The financial statement presented for the School Corporation included the Rainy Day fund with an overdrawn cash balance of \$138,311 as of June 30, 2014.

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)

PREPAID SCHOOL LUNCH ACCOUNTS

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

TRI-TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines, Volume 183, September 2008)

TEXTBOOK RENTAL AND EDUCATIONAL FEES

Records were not presented for examination to determine if the textbook rental (TBR) charges were reflective of actual costs incurred for grades three to eight. The retail price of all curricular materials for grades three to eight was not provided for examination. Therefore, we were unable to verify that the calculation of curricular materials rental complies with Indiana Code 20-26-12-2. In addition, the School Corporation collected educational fees as part of the students' textbook rental fees and remitted these educational fees to the School Corporation Treasurer for recording to the General fund. Written guidance from the School Corporation's attorney was not provided that determined whether or not the fees violate the Indiana Constitution.

During the audit period, Indiana Code 20-26-12-2 stated in part:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials 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 curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected."

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 Indiana Public School Corporations, Chapter 8)

COMPOSITION OF RECEIPTS

In our test of receipts, we noted that the composition of cash and checks on the receipts did not agree to the composition of cash and checks in the deposit in 70 percent of the receipts tested. Subsequent to the examination period, all receipts were issued as if only checks were received. We were unable to determine if receipts were deposited in the same form in which they were received.

TRI-TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

All school corporation money must be deposited in the duly designated depository not later than the business day following the receipt of funds on business days of the depository designated in the same form in which the funds were received in accordance with IC 5-13-6-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

OFFICIAL BONDS

The School Corporation Treasurer and Deputy Treasurer did not obtain official bonds for 2013. The School Corporation did not obtain official bonds for the Extra-Curricular Treasurers for 2013, 2014, and 2015.

The treasurer of the school corporation and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10.

The treasurer of each extra-curricular account shall provide a faithful performance of duty bond for one year, the term of the office. The amount of the bond shall be fixed and approved by the school superintendent and principal approximating the total amount of anticipated funds which will come into the hands of the treasurer at any one time during the regular school year, IC 20-41-1-6. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. If either school lunch funds or textbook rental funds are handled through an extra-curricular account, the governing body of the school corporation shall approve the amount of the bond of the treasurer, IC 20-41-2-6. The bond may be either an individual bond for each extra-curricular treasurer or a single blanket position bond for all extra-curricular treasurers, IC 20-41-1-6. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

TRI-TOWNSHIP CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2015, with Judith Roslansky, Treasurer; Timothy P. Somers, Superintendent of Schools; and Timothy Guse, President of the School Board.