

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HANOVER COMMUNITY SCHOOL CORPORATION

LAKE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/02/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dana M. Bogathy Susan Kounelis (Interim)	07-01-12 to 12-05-13 12-06-13 to 01-12-14
Director of Business Services/Treasurer	Eric D. Kurtz	01-13-14 to 06-30-16
Superintendent of Schools	Carol A. Kaiser Richard Cook (Interim) James Thorne (Interim) Richard Cook (Interim) Thomas L. Taylor	07-01-12 to 12-05-12 12-06-12 to 03-07-13 03-08-13 to 06-27-13 06-28-13 to 06-30-13 07-01-13 to 06-30-16
President of the School Board	Dana Griner (Vacant) Mary Joan Dickson James Sakelaris	07-01-12 to 12-31-12 01-01-13 to 01-07-13 01-08-13 to 12-31-13 01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE HANOVER COMMUNITY
SCHOOL CORPORATION, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the Hanover 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 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

January 7, 2016

HANOVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

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

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to Cash and Investments and Disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. We believe these deficiencies constitute material weaknesses.

1. Cash and Investments: The School Corporation did not properly implement adequate policies and procedures to ensure that fund balances were reconciled to the bank balances monthly. Reconciliations of the bank balances were not completed timely during the audit period until May of 2014.
2. Disbursements: The School Corporation has not properly implemented adequate policies and procedures to ensure that claims have adequate review or approval.
3. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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 - INTERNAL CONTROLS OVER THE SCHOOL BREAKFAST PROGRAM AND NATIONAL SCHOOL LUNCH PROGRAM

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553 and 10.555
Federal Award Years: FY2013, FY2014
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 several of the compliance requirements that have a direct and material effect on the programs. This includes the compliance requirements for Activities Allowed, Allowable Costs, Cash Management, Eligibility, Procurement and Suspension

HANOVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

and Debarment, Reporting, and Special Tests and Provisions - School Food Accounts. 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.

Activities Allowed and Allowable Costs

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Corporation expends funds for only activities allowed and allowable costs of the programs. A review or approval process has not been established.

Cash Management

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were in compliance with the Cash Management requirements. A monitoring or review process has not been established to ensure that the School Lunch fund's net cash resources are limited to three months' average expenditures in compliance with Cash Management requirements.

Eligibility

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals are accurately determined. Currently, the application information is entered into the food service software which automatically makes the determination dependent upon the information entered. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information entered into the food service software was correct.

Procurement and Suspension and Debarment

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the Procurement and Suspension and Debarment requirements of the programs. The School Corporation relied on a consultant from a purchasing cooperative to perform procurement activities and to verify compliance with Suspension and Debarment requirements. The Food Service Director evaluated the consultant's recommended vendors for bread and milk/dairy products based on product availability and past performance. Upon the Food Service Director's approval, the School Corporation used the winning awards. Procurement of a Third-Party Purchasing service for other food products, materials, and supplies was approved by the cooperative board. There was no local School Corporation oversight or approval of the Food Service Director's decisions or of the consultant's responsibilities.

Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted. The monthly reimbursement request report was independently prepared by the Food Service Director and submitted electronically via the Department of Education website. This report was not subjected to review prior to submission. The Food Service Director also submits the Annual Financial Report which was not subjected to review prior to submission. There was no segregation of duties, such as an oversight, review, or approval process over compliance with the Reporting requirements.

HANOVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - School Food Accounts

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the requirements for School Food Accounts. Although the School Corporation currently reconciles their School Lunch fund in a timely manner (monthly), during the audit period, we noted instances where the School Lunch fund was not reconciled to the records for up to six months. There was no segregation of duties, such as an oversight, review, or approval process during the audit period over compliance with Special Tests and Provisions - School Food Accounts.

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 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 the compliance requirements that have a direct and material effect on the programs.

FINDING 2014-003 - SPECIAL TESTS AND PROVISIONS - SCHOOL FOOD ACCOUNTS

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553 and 10.555
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation was not in compliance with all Special Tests and Provisions requirements related to School Food Accounts. Although management currently maintains a separate account of their School Lunch fund and they reconcile their School Lunch fund in a timely manner, during the audit period, we noted instances where federal reimbursements for the School Lunch fund were not receipted into the records up to six months after the date of deposit into the bank.

HANOVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 210.19(a)(1) states in part:

"Assurance of compliance for finances. Each State agency shall ensure that school food authorities comply with the requirements to account for all revenues and expenditures of their nonprofit school food service. School food authorities shall meet the requirements for the allowability of nonprofit school food service expenditures in accordance with this part and, 7 CFR part 3015 and 7 CFR part 3016, or 7 CFR part 3019, as applicable . . ."

7 CFR 3016.20(b)(2) states:

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

Noncompliance with the compliance requirements that have a direct and material effect on the programs could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation comply with the applicable Special Tests and Provisions requirements of the programs.

***FINDING 2014-004 - INTERNAL CONTROL OVER THE
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year: 2011-2012, 2012-2013, 45714-047-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 several compliance requirements that have a direct and material effect on the program. This includes the compliance requirements for Activities Allowed, Allowable Costs, Cash Management, Period of Availability, and Reporting.

Activities Allowed, Allowable Costs, and Period of Availability

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the program expenditures were in compliance with Activities Allowed, Allowable Costs, and the Period of Availability requirements. Program expenditures were prepared and paid by the Corporation Treasurer without oversight. There was no segregation of duties, such as an oversight, review, or approval process to ensure compliance with the requirements.

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted or that expenditures submitted for reimbursement were paid prior to the request. Reports are independently prepared and submitted by the Corporation Treasurer without oversight, review, or approval.

HANOVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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."

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 that have a direct and material effect on the program.



Board of School Trustees

Mary Pat Burkel
Mary Joan Dickson
James Sakelaris
Connie Sterkowitz
Dennis Wilkening

Central Office

Thomas L. Taylor, Ed.S.
Superintendent of Schools

CORRECTIVE ACTION PLAN

January 4, 2016

FINDING:	<u>2014-001- INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING</u>
STATUS	Corrected

Contact person Responsible for this Corrective Action Plan:

Eric Kurtz, Director of Business Services & Treasurer
Telephone: 219-374-3504 Fax: 219-374-4411 email: ekurtz@hanover.k12.in.us

Corrective Action:

The School Corporation is reconciling bank balances to the fund balances every month, as of May 2014. Effective internal controls over financial reporting have been implemented by reconciling the bank monthly. The School Corporation will continue to enhance internal control and oversight. All claims are governing board approved prior to submission of reimbursement request.

The School Corporation pays claims in accordance with board resolution 13/14-09 which grants the fiscal officer the power to pay bills and claims prior to the next board meeting and Indiana Code 20-26-5-4(a) (19) and Indiana Code 20-26-5-4(a)(20) further gives the corporation, officers, and employees the ability to act on behalf of the board with the board ratifying said action at its next meeting in accordance with official attorney opinion letter dated April 24, 2015 [attached as Exhibit A].


Eric D. Kurtz, Treasurer
Director of Business Services



Board of School Trustees

Mary Pat Burkel
 Mary Joan Dickson
 James Sakelaris
 Connie Sterkowitz
 Dennis Wilkening

Central Office

Thomas L. Taylor, Ed.S.
Superintendent of Schools

CORRECTIVE ACTION PLAN

January 4, 2016

FINDING:	<u>2014-002 – INTERNAL CONTROLS OVER THE SCHOOL BREAKFAST PROGRAM AND NATIONAL SCHOOL LUNCH PROGRAM</u>
RE	Federal Agency: U.S. Department of Agriculture Federal Programs: School Breakfast Program, National School Lunch Program CFDA Numbers: 10.553 and 10.555 Federal Award Years: FY2013. FY2014 Pass-Through Entity: Indiana Department of Education
STATUS	Corrected

Contact person Responsible for this Corrective Action Plan:

Eric Kurtz, Director of Business Services & Treasurer
 Telephone: 219-374-3504 Fax: 219-374-4411 email: ekurtz@hanover.k12.in.us

Corrective Action:

Procedures have been implemented to monitor the balance of the Food Service fund and to ensure payroll expenditures are properly posted. The bank is reconciled monthly to the corporation records and reviewed by the treasurer. As of April 2015, the Director of Nutrition Services reviews the payroll distribution report by fund. All claims are governing board approved prior to reimbursement. The School Corporation will continue to enhance internal control and oversight.

Procedures for determining eligibility and the verification process will change as follows for the 2015/2016 school year. There will be a separation of duties for processing eligibility and verification. For calculating eligibility a staff member will process the applications and another member will approve. The verification process will be separated into an employee completing verification and another employee who re-verifies the calculation of the eligibility determination.

The School Corporation relies on the Northwest Indiana Education Service Center (NWIESC), a governmental entity, which the School Corporation is a member and is also subject to audit by the State Board of Accounts to comply with procurement requirements. Results of the NWIESC's procurements and verification checks for federal and state suspension and debarment of the awarded bidders are made. The board has authorized the use of State Quantity Purchase Agreement (QPA) and NWIESC procurements.



2014-002 (continued)

The Nutrition Services Department has established a control to check the accuracy of reporting. Duties have been realigned between the Nutrition Services Department office staff and Business Services Department staff to facilitate the process of maintaining checks and balances of the monthly reimbursement requests and Annual Financial Report.

The School Corporation pays claims in accordance with board resolution 13/14-09 which grants the fiscal officer the power to pay bills and claims prior to the next board meeting and Indiana Code 20-26-5-4(a) (19) and Indiana Code 20-26-5-4(a)(20) further gives the corporation, officers, and employees the ability to act on behalf of the board with the board ratifying said action at its next meeting in accordance with official attorney opinion letter dated April 24, 2015 [attached as Exhibit A].



Eric D. Kurtz, Treasurer
Director of Business Services



Board of School Trustees

Mary Pat Burkel
 Mary Joan Dickson
 James Sakelaris
 Connie Sterkowitz
 Dennis Wilkening

Central Office

Thomas L. Taylor, Ed.S.
 Superintendent of Schools

CORRECTIVE ACTION PLAN

January 4, 2016

FINDING:	<u>2014-003 – SPECIAL TESTS AND PROVISIONS – SCHOOL FOOD ACCOUNT</u>
RE	Federal Agency: U.S. Department of Agriculture Federal Program: School Breakfast Program, National School Lunch Program CFDA Number: 10.553 and 10.555 Federal Award Years: FY2013, FY2014 Pass-Through Entity: Indiana Department of Education
STATUS	Corrected

Contact person Responsible for this Corrective Action Plan:

Eric Kurtz, Director of Business Services & Treasurer
 Telephone: 219-374-3504 Fax: 219-374-4411 email: ekurtz@hanover.k12.in.us

Corrective Action:

As of March 2014 the Nutrition Services department receipts federal reimbursements timely.


 Eric D. Kurtz, Treasurer
 Director of Business Services

CORRECTIVE ACTION PLAN

January 4, 2016

FINDING:	<u>2014-004 – INTERNAL CONTROL OVER THE TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES</u>
RE	Federal Agency: Department of Education Federal Program: Title I Grants to Local Educational Agencies CFDA Number: 84.010 Federal Award Years: 2011-2012, 2012-2013, 2013-2014, 2014-2015 Pass-Through Entity: Indiana Department of Education
STATUS	Corrected

Contact person Responsible for this Corrective Action Plan:

Eric Kurtz, Director of Business Services & Treasurer
Telephone: 219-374-3504 Fax: 219-374-4411 email: ekurtz@hanover.k12.in.us

Corrective Action:

The School Corporation will continue to enhance internal control and oversight. Procedures have been implemented to ensure segregation of duties and proper oversight. As of April 2015, the Title I grant coordinator regularly reviews the payroll distribution report by fund. Beginning in June 2015 the claims for reimbursement will be prepared by a member of the Business Services Department and reviewed and verified by different individual knowledgeable of the grant. All claims are governing board approved prior to submission of reimbursement request

The School Corporation pays claims in accordance with board resolution 13/14-09 which grants the fiscal officer the power to pay bills and claims prior to the next board meeting and Indiana Code 20-26-5-4(a) (19) and Indiana Code 20-26-5-4(a)(20) further gives the corporation, officers, and employees the ability to act on behalf of the board with the board ratifying said action at its next meeting in accordance with official attorney opinion letter dated April 24, 2015 [attached as Exhibit A].



Eric D. Kurtz, Treasurer
Director of Business Services

RESOLUTION 13/14-09
October 22, 2013
Hanover Community School Corporation
Prepayment Resolution

WHEREAS, the Board of School Trustees will have only one School Board meeting per month; and

WHEREAS, the Board of School Trustees recognizes that certain claims and obligations must be paid in a timely manner according to a set date; and

WHEREAS, the Board of School Trustees may authorize the corporation Treasurer to make these payments in order to avoid a penalty and/or interest charge and/or allow daily operations to continue; and

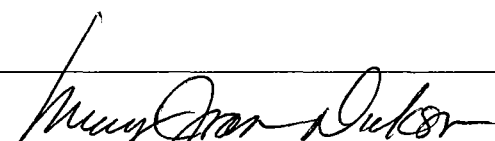
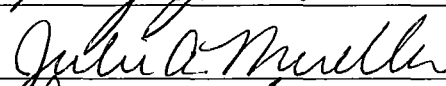
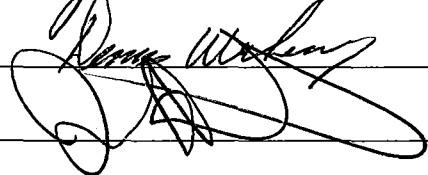
WHEREAS, the claims will be presented to the Board for approval at the next regular monthly docket following the issuance of the payment.

THEREFORE, BE IT RESOLVED, that the Board of School Trustees of the Hanover Community School Corporation authorizes the corporation Treasurer to issue payments prior to Board approval.

Adopted this 22nd day of October, 2013.

Ayes

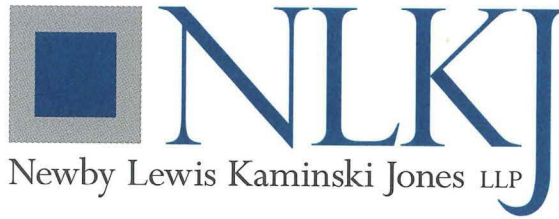
Nays

Attest:


Board Secretary

Mark L. Phillips
Martin W. Kus
Mark A. Lienhoop
James W. Kaminski
William S. Kaminski
David P. Jones
Matthew J. Hagenow
Kristina J. Jacobucci
Nicholas T. Otis
Rebecca M. Berg
Anthony G. Novak



OF COUNSEL
Edward L. Volk

RETIRED
Leon R. Kaminski
Gene M. Jones
Arthur L. Roule, Jr.
Daniel E. Lewis, Jr.

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April 24, 2015

John E. Newby (1916-1990)
Daniel E. Lewis (1910-1997)

RECEIVED

APR 27 2015

HANOVER COMMUNITY
SCHOOL CORPORATION

Mr. Eric Kurtz
Hanover Community School Corporation
9520 W. 133rd Avenue
P.O. Box 645
Cedar Lake, IN 46303

Re: Hanover Community School Corporation

The Board of School Trustee, by resolution 13/14-09 granted your office the power to pay bills and claims prior to the next board meeting. Indiana Code 20-26-5-4(a)(19) and Indiana Code 20-26-5-4(a)(20) further gives the corporation, officers, and employees the ability to act on behalf of the board with the board ratifying said action at its next meeting. Therefore, between the resolution and Indiana law, the Board of School Trustees has authorized your office to pay claims prior to the next board meeting to have it ratified at the next board meeting.

Should you need anything further regarding this, please do not hesitate to contact me at your convenience.

Yours very truly,

NEWBY, LEWIS, KAMINSKI & JONES, LLP

By *William S. Kaminski*

William S. Kaminski
wskaminski@nlkj.com

WSK/jlc

cc: Tom Taylor

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed for July 1, 2012 to December 31, 2013, until March of 2015. In addition, reconcilements for January 1, 2014 to April 30, 2014, were not completed until May of 2014, after which the School Corporation started reconciling monthly.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the Payroll Withholdings Clearing Accounts fund with an overdrawn cash balance at June 30, 2013, of \$27,716 and at June 30, 2014, of \$20,423.

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)

ANNUAL FINANCIAL REPORT

The Annual Financial Reports for fiscal years 2013 and 2014, due August 29, 2013 and August 29, 2014, respectively, were not filed until January 16, 2015, and January 12, 2016, which was 505 days and 501 days past due.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

INTERNAL CONTROLS - TEXTBOOK RENTAL RECEIPTS

Internal controls over the receipting, recording, and accounting for the financial activities of Textbook Rental (TBR) receipts were insufficient. Textbook rental on-line payments of \$143,120 for the month of August 2012 were not receipted into the School Corporation records until February 26, 2013. Also, TBR receipts of \$186,352 from August 2013 were not receipted into the School Corporation records until November 29, 2013. The School Corporation did not establish a reconciliation process to determine if all TBR receipts had been properly and timely receipted.

HANOVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

INTERNAL CONTROLS OVER TEXTBOOK RENTAL RECEIPTING

For the 2012-2013 school year, the School Corporation implemented a new software system for textbook rental billing and collections. The following deficiencies concern the receipting of the 2012-2013, 2013-2014, and 2014-2015 textbook rental and fees with the new software system:

1. Receipts issued in batches included receipt numbers that are not in sequential order. Also, the batch report generated by the system did not include all batch numbers.
2. The receipts issued for textbook collections do not necessarily relate to collections. The computerized system requires the issuance of a receipt for all changes within the system, such as adjustments for free and reduced lunch, or adding/dropping a class at the High School. Due to the system use of receipts for adjustments, it is difficult to verify that all receipts were deposited without having to review all receipts.
3. The School Corporation did not reconcile the amounts recorded in the student system to the collections deposited into the School Corporation's bank account.
4. The output generated from the Acorn Integrated Student Billing computer system, which was used to replace prescribed forms used for textbook collections, was not submitted for approval to the State Board of Accounts.

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)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

HANOVER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 7, 2016, with Eric D. Kurtz, Director of Business Services/Treasurer; Denise Sempf, Deputy Treasurer; Lori Carey, Payroll Specialist; and Thomas L. Taylor, Superintendent of Schools.