

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

UNION SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2012 to June 30, 2015



FILED
07/01/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brandy Warren	07-01-12 to 03-25-13
	Ken Barnes (deceased)	03-26-13 to 06-15-13
	(Vacant)	06-16-13 to 06-18-13
	Cynthia Vaughn	06-19-13 to 05-03-15
	Taylor Hayne	05-04-15 to 03-13-16
Superintendent of Schools	Carol Weaver	03-14-16 to 06-30-16
	Fred Herron	07-01-12 to 05-18-15
	Allen Hayne	05-19-15 to 06-30-16
President of the School Board	Scott Houser	07-01-12 to 12-31-12
	Alan McCormick	01-01-13 to 12-31-13
	Todd Holaday	01-01-14 to 12-31-14
	Christa Ellis	01-01-15 to 12-31-15
	Christina Ogden	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE UNION SCHOOL CORPORATION, RANDOLPH COUNTY, INDIANA

This report is supplemental to our examination report of the Union School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2015. 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 Statements Examination Report of the School Corporation, which provides our opinion on the School Corporation's financial statements. 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

April 11, 2016

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete. Records not presented for examination included:

1. Missing claim dockets for April and May of 2015.
2. Transactions recorded as "negative" receipts and disbursements.
3. List of honors graduates for May 2012, 2013, 2014.
4. List of core 40 technical diplomas for May 2014.
5. ADM Error calculations.
6. Form 9 submission information.
7. Textbook Rental Information.
8. Net Appropriation Report.
9. School lunch meal count corrections.

During the examination period, Indiana Code 5-15-6-3 stated in part:

"(d) No financial records or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

ANNUAL FINANCIAL REPORT

The Annual Financial Report for 2014 was not filed electronically until October 21, 2015, which was 418 days past the due date.

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."

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

CREDIT/DEBIT CARD

The School Corporation was using credit cards to purchase items without an approved credit card policy.

In addition, the School Corporation used debit cards to conduct transactions. A claim was reviewed in which the debit card was used and no sufficient supporting documentation was presented for examination; only the bank statement was attached to support the debit card charge.

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.
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)

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)

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

PREPAID SCHOOL LUNCH

Prepaid lunch receipts were not placed in Fund 8400 Prepaid Food, a clearing account, but were instead accounted for in the School Lunch Fund, fund 800. The entire amount of prepaid lunch receipts were recognized in the School Lunch Fund, fund 800 at the time of receipt as revenue and not as applied from the clearing account as students consumed their individual account balances. As a result, the subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis as required.

Clearing Account Number 8400 - Prepaid Food has not 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 Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Bulletin and Uniform Compliance Guidelines, September 2008)

COLLECTIVE BARGAINING AGREEMENT

The Collective Bargaining Agreement (CBA) included a discussion on the topic of unpaid leave. The CBA also included the term hour/hours as well as discussing a reimbursement.

Indiana Code 20-29-6-4.5(a) states in part: ". . . a school employer may not bargain collectively with the exclusive representative on the following: . . . (5) Any subject not expressly listed in section 4 of this chapter."

Indiana Code 20-29-6-4(a) states:

"A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11."

CURRENT SUPERINTENDENT AND NON-TEACHING CERTIFIED CONTRACTS NOT POSTED

As of the date of this report, the School Corporation has not posted current contracts for the Superintendent of Schools or Non-Teaching Certified employees to the School Corporation's website.

Indiana Code 20-26-5-4.3(d) states: "A governing body shall post the provisions of an employment contract that the governing body enters into with a superintendent of the school corporation on the school corporation's Internet web site."

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 20-26-5-4.7(b) states: "The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."

ERRORS ON TRAVEL CLAIMS

A test of travel claims identified the following deficiencies with an error rate of greater than 10 percent:

1. Of the claims tested 20 percent did not have adequate supporting documentation. This error resulted in \$1,518.39 of expenditures tested which did not have adequate supporting documentation.
2. Of the claims tested 100 percent did not have Board approval before check was distributed.

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 examines 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."

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for examination indicates enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2013, 2014, and 2015.

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Count Date</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Difference</u>
2012-2013	September 14, 2012	382.5	378.5	4
2013-2014	September 13, 2013	359.0	355.0	4
2014-2015	September 12, 2014	323.5	324.5	(1)
2014-2015	February 2, 2015	312.0	311.0	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)

HONORS AND TECHNICAL DIPLOMAS - INCORRECT REPORTING TO THE STATE

The information presented for examination indicates enrollment figures on Form No. DOE-GR, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2013 and 2014.

The counts reported are based on the graduates from the prior May graduating class. The difference between the count reported on the DOE-GR and the verified figures are shown below:

<u>Year</u>	<u>Date</u>	<u>Type</u>	<u>Form DOE-GR</u>	<u>Figures</u>	<u>Difference</u>
2012-2013	May 2012 Graduates	Honors Diplomas	14	13	1
2013-2014	May 2013 Graduates	Honors Diplomas	17	18	(1)
2013-2014	May 2013 Graduates	Technical Diplomas	-	1	(1)
2014-2015	May 2014 Graduates	Honors Diplomas	12	15	(3)

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)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, and should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and examination) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

APPROPRIATIONS

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

Fund	Year	Excess Amount Expended
School Transportation	2014	\$ 12,200
Capital Projects	2014	45,057

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 BALANCES

The financial statement presented in the Financial Statements Examination Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2013, 2014, and 2015:

Fund	Amounts Overdrawn June 30, 2013	Amounts Overdrawn June 30, 2014	Amounts Overdrawn June 30, 2015
Payroll Withholdings	\$ 8,198.01	\$ 4,975.46	\$ 6,491.12
Union Due	26,359.32	26,359.32	26,359.32

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)

FREE/REDUCED LUNCH REIMBURSEMENT

A review of 30 reimbursement requests revealed that 4 of the requests contained errors. The results are as follows:

- August 2012: paid lunch reimbursements over counted by 152 and free lunch reimbursements under counted by 152.

UNION SCHOOL CORPORATION
EXAMINATION RESULTS AND COMMENTS
(Continued)

- August 2013: paid lunch reimbursements under counted by 433.
- April 2014: free breakfast undercounted by 468 and reduced breakfast under counted by 81.
- May 2014: paid breakfast over counted by 133.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

COMPENSATION

The School Corporation did not establish a salary schedule for classified personnel for compensation paid during the examination period. Without a current salary schedule verification of the accuracy of the salaries paid to classified personnel was not able to be performed. In addition, unused sick time was paid out to employees upon separation from employment without approval of the School Board.

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 9)

UNION SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 11, 2016, with Carol Weaver, Treasurer; Allen Hayne, Superintendent of Schools; Christina Ogden, President of the School Board; Christa Ellis, Vice President of the School Board; Cynthia Vaughn, former Treasurer; and Brandy Warren, former Treasurer.