

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
UNION-NORTH UNITED SCHOOL CORPORATION
ST. JOSEPH COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
08/08/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Valerie Gillespie	07-01-13 to 01-29-16
	(Vacant)	01-30-16 to 02-10-16
	Brenda Beehler	02-11-16 to 06-23-16
	Elizabeth Mangus	06-24-16 to 12-31-17
Superintendent of Schools	Mitchell Mawhorter	07-01-13 to 06-30-17
President of the School Board	Michael Berger	01-01-13 to 12-31-14
	Dan Zeiger	01-01-15 to 12-31-15
	Ken Moore	01-01-16 to 12-31-16
	Karman Eash	01-01-17 to 12-31-17



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-NORTH UNITED SCHOOL CORPORATION, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Union-North United School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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

June 7, 2017

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

The School Corporation failed to establish or properly implement effective internal controls over financial transactions and reporting, including the Schedule of Expenditures of Federal Awards (SEFA).

Cash and Investments

One person prepared the monthly reconcilements for all accounts without oversight or review. Textbook rental transactions and balances were included in the financial statement which were held in the High School Extra-Curricular Account. There was no oversight or review process over the monthly reconcilements performed by the High School Extra-Curricular Treasurer.

Receipts and Vendor Disbursements

The School Corporation failed to document a review process over receipts entered into the financial software and vendor disbursements generated by the financial software.

Payroll Disbursements

The School Corporation hired a service organization to prepare their payroll. This included journal entries to record the processed payroll activities and to post to the School Corporation's records. One School Corporation employee entered the information into the service organization's software, made any necessary adjustments, and submitted the information without any oversight or review. Supporting documentation for adjustments was not available. Additionally, there was no documented oversight or review of the journal entries received from the service organization to ensure that employees were paid from the correct fund or that the compensation was calculated correctly.

Changes in compensation during the school year were documented on "Employee Changes" forms. One employee entered the change into the service organization software and confirmed that the change was made. The Employee Changes forms were not signed by the person initiating or authorizing the changes.

Financial Close and Reporting

Textbook Rental fund transactions reported in the financial statement were added as adjustments of amounts held as part of the High School Extra-Curricular Accounts. These adjustments were made without oversight or approval and sufficient documentation was not retained to support the adjustments.

SEFA

There were no controls to ensure accurate reporting of the federal awards. One employee prepared, submitted, and certified the SEFA without oversight, review, or approval.

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls or a system that would have ensured that any controls in place were properly documented and could have been verified.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

**FINDING 2015-002 - INTERNAL CONTROL OVER 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 Numbers and Years (or Other Identifying Numbers): 13-7215, 14-7215, 15-7215
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Level of Effort, Period of Performance, Reporting, and Special Tests and Provisions - Assessment Security System.

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Level of Effort, Period of Performance*

There was no evidence of an oversight, review, or approval process to ensure that only applicable teachers' payroll was charged to the Title I Grants to Local Education Agencies program.

Cash Management, Reporting

The Reimbursement Forms were prepared without evidence of oversight, review, or approval.

Eligibility

Determinations of eligibility were made without evidence of oversight, review, or approval.

Special Tests and Provisions - Assessment Security System

The School Corporation had developed a Test Security Policy, however, several components of the policy were not documented, including, but not limited to, the following: Code of Ethical Practices, training, and an Individual Education Plan.

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the *Condition* during the audit period.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions or that defined procedures for documenting staff responsibilities related to controls.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-003 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-7215, 14-7215, 15-7215

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement.

The School Corporation failed to provide documentation that their staff had met all of the requirements necessary to meet the definition of a highly qualified teacher. Staff completed a checklist which addressed the requirements and clearly indicated that the documentation was required; however, no one followed up to ensure that the documentation was provided or maintained. We were unable to obtain sufficient appropriate evidence to verify the School Corporation's compliance with the requirements.

Context

The lack of controls and proper documentation was a systemic problem which occurred throughout the audit period.

Criteria

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. . . ."

34 CFR 74.53(b) states:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary."

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements.

Effect

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessional requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to ensure that documentation related to the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements is maintained and available for audit.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - SPECIAL TESTS AND PROVISIONS - ANNUAL REPORT CARD, HIGH SCHOOL GRADUATION RATE

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-7215, 14-7215, 15-7215

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Test and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not provide documentation that they complied with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements. The School Corporation could not locate documentation which addressed the reasons that not all students who enrolled as ninth graders ultimately graduated. We were unable to determine if the graduation rate was properly determined.

Context

The lack of controls and noncompliance was a systemic problem which occurred throughout the audit period.

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

34 CFR 74.53(b) states:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary."

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the Special Test and Provisions - Annual Report Card, High School Graduation Rate requirements.

Effect

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to ensure that documentation related to Special Tests and Provisions Annual Report Card, High School Graduation Rate requirements is maintained and available for audit.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-005 - INTERNAL CONTROL OVER SPECIAL EDUCATION CLUSTER (IDEA)

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-136-PN01, 14215-136-PN01,
99914-136-TA01, 45713-136-PN01,
45714-136-PN01, 45715-136-PN01

Pass-Through Entity: Indiana Department of Education

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Level of Effort, Period of Performance, and Reporting.

Activities Allowed or Unallowed, Level of Effort, Period of Performance

The majority of the program expenditures were for payroll. There was no evidence of an oversight, review, or approval process to ensure that only applicable teachers' payroll was charged to the Special Education Cluster (IDEA) programs.

Cash Management, Reporting

The Reimbursement Requests (reports) were prepared without evidence of oversight, review, or approval.

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the *Condition* throughout the audit period.

Criteria

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. . . ."

Cause

The School Corporation had not developed or implemented a system of controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There are no questioned costs.

Recommendation

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

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-006 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-136-PN01, 14215-136-PN01,
99914-136-TA01, 45713-136-PN01,
45714-136-PN01, 45715-136-PN01

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

There was no evidence of an oversight, review, or approval process to ensure that only applicable teachers' payroll was charged to the Special Education Cluster (IDEA) programs.

The School Corporation paid full time employees with the grants and was required to prepare and maintain Semiannual Certifications for these employees. The School Corporation was not aware of this requirement and did not complete the Semiannual Certifications required for employees.

Context

The lack of controls and noncompliance was a systemic problem which occurred throughout the audit period.

Criteria

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 8h(3) states :

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

UNION-NORTH UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Allowable Cost/Cost Principles requirements.

Effect

The failure of establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles requirements of the programs.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Ms. Elizabeth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

Union-North United School Corporation is preparing a detailed segregation of duties to help improve all internal controls of all financial transactions and reporting. All cash and investments; receipts and vendor disbursements; payroll disbursements and financial close and reporting will be reviewed by the corporation treasurer and corporation deputy treasurer prior to submission. With this, all future SEFA's will be reviewed by the corporation treasurer and either the grant administrator or the corporation deputy treasurer prior to submission.

Anticipated Completion Date: May, 2018

Elizabeth Mangus
(Signature)

Corp. Treasurer
(Title)

6/7/17
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Ms. Elizabeth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

Union-North United School Corporation will develop detailed internal controls for the Title One Grant management to ensure that all Title One Grant compliance items are met. In addition, Union-North will also ensure that their internal controls include an appropriate segregation of duties to certify that all future compliance items are not missed.

Anticipated Completion Date: May, 2018

Elizabeth Mangus
(Signature)

Corp. Treasurer
(Title)

6/7/17
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Ms. Elizabeth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

Union-North United School Corporation will develop detailed internal controls for the Title One Grant management to ensure that all Title One Grant compliance items are met. In addition, Union-North will also ensure that all Title One Grant teachers are highly qualified as defined in §200.56. Union-North does have a current teaching license and transcripts for all teachers. Union-North will also make sure that all teachers submit a copy of their PRAXIS II or NTE results as well.

Anticipated Completion Date: May, 2018

Elizabeth Mangus
(Signature)

Corp. Treasurer
(Title)

6/7/17
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Ms. Elizabeth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

Union-North United School Corporation will develop detailed internal controls for the Title One Grant management to ensure that all Title One Grant compliance items are met. In addition, Union-North will also establish controls to ensure compliance and comply with the Special Tests and Provisions Annual Report Card, High School Graduation Rate requirements.

Anticipated Completion Date: May, 2018

Elizabeth Mangus
(Signature)

Corp. Treasurer
(Title)

6/7/17
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Ms. Elizabeth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

Union-North United School Corporation will develop detailed internal controls, including segregation of duties related to grant agreements. In addition, Union-North will also ensure that only applicable teachers' payroll will be charged to the Special Education Cluster program and that all reimbursement reports will be reviewed by the Grant coordinator and the corporation treasurer.

Anticipated Completion Date: May, 2018

Elizabeth Mangus
(Signature)

Corp Treasurer
(Title)

6/7/17
(Date)



UNION-NORTH UNITED SCHOOL CORPORATION
Office of the Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: Ms. Elizabeth Mangus, Corporation Treasurer
Contact Phone Number: (574) 784-8141

Views of Responsible Official: Union-North United School Corporation agrees with the above finding.

Description of Corrective Action Plan:

Union-North United School Corporation will develop detailed internal controls, including segregation of duties related to grant agreements. In addition, Union-North will also ensure compliance and comply with the Allowable Costs/Cost Principles requirements of the program by preparing and maintaining semi-annual certification forms for these employees who are paid from the grant.

Anticipated Completion Date: May, 2018

Elizabeth Mangus
(Signature)

Corp. Treasurer
(Title)

6/7/17
(Date)

UNION-NORTH UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PAYROLL COMPLIANCE

Fringe Benefit Calculations

Supporting documentation attached to accounts payable vouchers (APVs) for payment of employer provided fringe benefits was not adequate to ensure that the correct funds were apportioned for the correct amounts. Spreadsheets were prepared by the Treasurer and attached to the APVs to document the employer share of fringe benefits paid on behalf of the employees; however, the spreadsheets for annuities were incomplete. The spreadsheets did not include the detail of the employees who were covered and the dollar amounts paid for each by fund.

Amounts for employer share on the spreadsheets agreed to the detail payroll reports; however, a former Title I employee's employer share of annuities was still claimed for reimbursement from the Title I grant. Furthermore, the School Corporation paid annuities for one to three other Title I employees for which reimbursement was not claimed because the needed information was not properly disseminated and reviewed by someone who was familiar with the Title I grant.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination 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 1)

Contract Issues

Amounts paid to employees did not agree with contracts for at least two employees. One employee was paid three different amounts during the course of the contract year. The accumulated biweekly amounts paid exceeded the contract by \$318.72. It is unclear if the employees received stipends for additional duties, which would have affected the amount paid, because such documentation is not retained with the employee contracts.

Employees of the Title I Grant were paid stipends from the 2012-2013 grant and from the 2014-2015 grant based upon grant budgets. The stipends were not included in their contracts or the salary resolutions, and were not approved by 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 law. Compensation must be paid 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 1)

Earnings Record

Yearly reports of earnings by pay date and check number, similar to the Employee Earnings Records, were not provided to the School Corporation by the service organization which prepared their payroll.

UNION-NORTH UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance. At June 30, 2014, the depository balance exceeded the total cash balance on the Financial Statement by \$4,411.

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."

PREPAID FOOD FUNDS

The School Corporation maintained two funds to record prepaid food collections for student lunches. Receipts were recorded daily for these advance payments. Once a month, transfers were made to the School Lunch fund. These transfers from the Prepaid Food funds to the Corporation School Lunch fund were posted to the records through the use of a receipt adjustment entry.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Administrator and Uniform Compliance Guidelines, Bulletin 211)

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included funds with overdrawn cash balances at June 30, 2014 and 2015. The Capital Projects, School Transportation, and Textbook Rental funds were overdrawn at June 30, 2014, by \$93,316, \$82,399, and \$51,010, respectively. The Textbook Rental fund was still overdrawn at June 30, 2015, by \$42,905.

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

RESPONSE TO AUDIT FINDINGS, 7/1/2013-6/30/2015

To: Paul Joyce, CPA, Indiana State Board of Accounts

From: Valerie Gillespie, Former Corporation Treasurer, Union-North United School Corporation

Re: 7/1/2013-6/30/2015 Audit Response

PAYROLL COMPLIANCE

Comments pertaining to reporting documentation are acknowledged.

BANK ACCOUNT RECONCILIATIONS

Per the comments, a discrepancy was noted on June 30th, 2014 and the correction subsequently identified receipts omitted from reporting within the financial software system in error. However, all funds were properly maintained within the records of the financial institution's account balance at all times.

PREPAID FOOD FUNDS

Processes have subsequently been corrected to ensure that proper application of lunchroom revenue is applied correctly.

OVERDRAWN CASH BALANCES

Comments regarding overdrawn cash balances are acknowledged. As a result of district efforts, two of the three funds reported with a negative cash balance at June 30, 2014 held a positive balance a year later at June 30th, 2015. During my employment with Union-North United School Corporation, ongoing efforts to correct the overdrawn balances were a priority.

I would like to thank the auditors for both their time and diligence.

Sincerely,

Valerie Gillespie

Former Corporation Treasurer

Union-North United School Corporation

UNION-NORTH UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 31, 2017, with Valerie Gillespie, former Treasurer, and Mitchell Mawhorter, Superintendent of Schools.

The contents of this report were discussed on June 7, 2017, with Elizabeth Mangus, Treasurer; Mitchell Mawhorter, Superintendent of Schools; Jill Wagoner, Deputy Treasurer; Karman Eash, President of the School Board; Tom Smith, School Board member; and Arden Balmer, School Board member.