

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VIGO COUNTY SCHOOL CORPORATION

VIGO COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
09/07/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donna Wilson	01-01-14 to 12-31-17
Superintendent of Schools	Daniel Tanoos	01-01-14 to 12-31-17
President of the School Board	Paul Lockhart Tammy Pearson	01-01-14 to 12-31-16 01-01-17 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE VIGO COUNTY SCHOOL CORPORATION, VIGO COUNTY, INDIANA

This report is supplemental to our audit report of the Vigo County School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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/](http://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

July 10, 2017

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Internal Controls over Child Nutrition Cluster  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-14, 14-15, 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Allowable Costs/Cost Principles, Cash Management, Procurement  
and Suspension and Debarment, Program Income, Special Tests  
and Provisions - Paid Lunch Equity  
Audit Finding: Material Weakness

*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: Allowable Costs/Cost Principles, Cash Management, Procurement and Suspension and Debarment, Program Income, and Special Tests and Provisions - Paid Lunch Equity.

*Allowable Costs/Cost Principles*

The School Corporation had not established adequate policies and procedures to ensure compliance with Allowable Costs/Cost Principles requirements. There were no controls in place to ensure compliance with the time and effort requirements of Allowable Costs/Cost Principles.

*Cash Management (School Breakfast Program and National School Lunch Program only)*

The School Corporation had not established adequate policies and procedures to ensure compliance with Cash Management requirements. There were no controls in place to ensure that the cash balance (Net Cash Resources) for the School Lunch fund did not exceed the three months average expenditures.

*Procurement and Suspension and Debarment*

The School Corporation had not established policies and procedures to ensure compliance with Procurement and Suspension and Debarment requirements. There were no controls in place to ensure that the School Corporation verified that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to accepting the bids.

*Program Income (School Breakfast Program and National School Lunch Program only)*

The School Corporation had not established adequate policies and procedures to ensure compliance with Program Income requirements. There were no controls in place to ensure that the prepaid account and the income from lunch/breakfast/milk were separated on the ledger.

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

The School Corporation had not established adequate policies and procedures to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity requirements. There were no procedures in place to ensure that documentation of the calculation was maintained or that lunch prices were increased as approved by the School Board.

*Context*

This was a systematic problem. Controls did not exist over the compliance requirements listed above 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

Management had not developed a system of internal 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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

VIGO COUNTY 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 2016-002**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Year (or Other Identifying Numbers): 13-14, 14-15, 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Other Matter

*Condition*

For the 2014-2015 school year, the Semi-Annual Certification were not prepared to support school lunch employees' time worked on the federal programs. For the 2015-2016 school year, detailed payroll records were not maintained for school lunch employees to support the time worked on the federal programs.

*Context*

The noncompliance with the Allowable Costs/Cost Principles compliance requirement applied to both years of the audit period and is considered a systemic problem.

*Criteria*

OMB Circular A-87, Attachment B, item 8(h)(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 firsthand knowledge of the work performed by the employee."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . ."

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation had not developed or implemented a plan to verify that hourly employees were filing time records or that the Food Service Director filed Semi-Annual Certifications for time and effort of the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to comply with 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's management 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.

**FINDING 2016-003**

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Number and Year (or Other Identifying Number): 14-15  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Finding: Other Matter

*Condition*

The School Corporation did not calculate the weighted-average paid lunch price for the 2014-2015 school year. The Food Service Director failed to increase lunch prices for the 2014-2015 school year which resulted in lunch prices being lower than the weighted-average paid lunch price calculated during the audit.

*Context*

The School Corporation did not calculate the weighted-average paid lunch price for the 2014-2015 school year.

*Criteria*

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

*Cause*

The School Corporation had not developed or implemented a plan to verify that the Food Service Director increased lunch prices according to the required calculation.

*Effect*

The failure to comply with the compliance requirements 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's management comply with the Special Tests and Provisions - Paid Lunch Equity requirements.

*Views of Responsible Officials*

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

**FINDING 2016-004**

Subject: School Breakfast Program and National School Lunch Program - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-14, 14-15, 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Other Matter

*Condition*

The School Corporation's cash balance (Net Cash Resources) exceeded the 3 months average expenditures for 22 months of the audit period.

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

The noncompliance with the Cash Management compliance requirement applied to 22 of the 24 months of the audit period.

*Criteria*

7 CFR 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three month average expenditure for its nonprofit school food service of such other amount as may be approved by the State agency; . . ."

*Cause*

The School Corporation had not developed or implemented a plan to verify that the cash balance (Net Cash Resources) did not exceed the 3 months average expenditures.

*Effect*

The failure to comply with 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's management comply with the Cash Management 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.

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2016-005**

Subject: School Breakfast Program and National School Lunch Program - Program Income  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-14, 14-15, 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Finding: Scope Limitation/Qualified Opinion

*Condition*

All receipts from cafeteria sales, as well as prepayments made by students to their accounts, were recorded in the School Lunch fund. Therefore, it could not be determined whether the School Corporation was properly assessing, collecting, and recording program income generated from the school food service program.

*Context*

This is a systemic issue. It could not be determined whether the School Corporation was properly assessing, collecting, and recording program income generated throughout the audit period.

*Criteria*

7 CFR 210.23(c) states:

*"Retention of records.* State agencies and school food authorities may retain necessary records in their original form or on microfilm. State agency records shall be retained for a period of 3 years after the date of submission of the final Financial Status Report for the fiscal year. School food authority records shall be retained for a period of 3 years after submission of the final Claim for Reimbursement for the fiscal year. In either case, if audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (13) Upon request, make all accounts and records pertaining to its nonprofit school fund service available to the State agency, to FNS and to OA for audit or review at a reasonable time and place. Such records shall be retained for a period of three years after the end of the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the three-year period as long as required for the resolution of the issues raised by the audit; . . ."

*Cause*

The School Corporation had not developed or implemented a plan to verify that program income was recorded properly within the School Corporation's ledger.

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish effective internal controls prevented the determination of compliance with Program Income requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls that would have ensured program records were properly maintained.

*Views of Responsible Officials*

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

**FINDING 2016-006**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): 13-14, 14-15, 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Finding: Other Matter

*Condition*

The School Corporation advertised for bids for the purchase of cafeteria food and miscellaneous items for the school food service program for each school year. The School Board accepted the bids during public meetings; however, no contracts were signed with the successful vendor. The School Corporation did not verify that the vendor was not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to accepting the bids.

*Context*

There were no contracts entered into for the purchase of cafeteria food and miscellaneous items for the entire audit period. There was no evidence that the School Corporation verified the vendor was not suspended and/or debarred.

VIGO COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system or plan to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

Noncompliance with 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's management comply with the Procurement and Suspension and Debarment 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.



# Vigo County School Corporation

686 Wabash Avenue • P.O. Box 3703 • Terre Haute, IN 47803-0703  
(812) 462-4011

## CORRECTIVE ACTION PLAN

### FINDING 2016-001

Contact Person Responsible for Corrective Action: Thomas Lentes, Food Service Coordinator  
Contact Phone Number: 812-462-4245

**Views of the Responsible Officials:**  
We concur with the finding.

**Description of Corrective Action Plan:**

The School Corporation will establish a committee consisting of the Food Services Coordinator, Food Service Financial Operations Manager, Director of Facility Support and Transportation, Chief Financial Officer, and Deputy Treasurer. This committee will work to develop an internal control system designed to meet compliance requirements in the Food Service Office. As the number of staff involved is small, some activities may need to be shared with the Business Office staff.

**Anticipated Completion Date:** For the 2017-18 school year.

  
\_\_\_\_\_  
Signature

Food Service Coordinator

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

7/10/17



# Vigo County School Corporation

686 Wabash Avenue • P.O. Box 3703 • Terre Haute, IN 47803-0703  
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## CORRECTIVE ACTION PLAN

### FINDING 2016-002

Contact Person Responsible for Corrective Action: Thomas Lentes, Food Service Coordinator  
Contact Phone Number: 812-462-4245

**Views of the Responsible Officials:**  
We concur with the finding.

**Description of Corrective Action Plan:**

All hourly employees will be responsible for maintaining daily time sheets for hours worked for the School Corporation's Food Service Program. These time sheets will be signed by the employee and the responsible manager will be expected to verify the hours worked and also sign the time sheets before sending them to the Food Services Office for audit and compliance purposes.

**Anticipated Completion Date:** At the beginning of the 2017-18 school year.

  
\_\_\_\_\_  
Signature

Food Service Coordinator

\_\_\_\_\_  
Title

7/10/17  
\_\_\_\_\_  
Date



# Vigo County School Corporation

686 Wabash Avenue • P.O. Box 3703 • Terre Haute, IN 47803-0703  
(812) 462-4011

## CORRECTIVE ACTION PLAN

### FINDING 2016-003

Contact Person Responsible for Corrective Action: Thomas Lentes, Food Service Coordinator  
Contact Phone Number: 812-462-4245

#### Views of the Responsible Officials:

We concur with the finding which does state that this was an isolated incident that occurred only in the 2014-15 school year.

#### Description of Corrective Action Plan:

The Food Service Coordinator will comply with the requirement that includes paid lunch equity and submit proposed increases in lunch prices annually to the Board of School Trustees for their approval.

#### Anticipated Completion Date:

Lunch prices for the 2017-18 school year were approved by the Board of School Trustees on June 26, 2017.

  
\_\_\_\_\_  
Signature

Food Service Coordinator

\_\_\_\_\_  
Title

7/10/17  
\_\_\_\_\_  
Date



# Vigo County School Corporation

686 Wabash Avenue • P.O. Box 3703 • Terre Haute, IN 47803-0703  
(812) 462-4011

## CORRECTIVE ACTION PLAN

### FINDING 2016-004

Contact Person Responsible for Corrective Action: Thomas Lentes, Food Service Coordinator  
Contact Phone Number: 812-462-4245

#### Views of the Responsible Officials:

We are aware of and agree that we are not in compliance with the cash management provision that limits our net cash resources to an amount that does not exceed 3 months average expenditures for our school food service.

#### Description of Corrective Action Plan:

The Food Service Coordinator, Director of Facilities Support & Transportation, and the Chief Financial Officer will meet quarterly to review the net cash resources available in the Food Service account. Per the review, a plan of expenditures will be implemented to monitor compliance with the provision that net cash resources do not exceed the three month average of expenditures.

Anticipated Completion Date: For the 2017-18 school year.

  
\_\_\_\_\_  
Signature

Food Service Coordinator

\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Date



# Vigo County School Corporation

686 Wabash Avenue • P.O. Box 3703 • Terre Haute, IN 47803-0703  
(812) 462-4011

## CORRECTIVE ACTION PLAN

### FINDING 2016-005

Contact Person Responsible for Corrective Action: Thomas Lentes, Food Service Coordinator  
Contact Phone Number: 812-462-4245

#### Views of the Responsible Officials:

We concur with this finding.

#### Description of Corrective Action Plan:

The Food Service Office and the Business Office are working together with our software support team to develop new procedures that will properly track postings to and adequately report the separation between the prepaid account and the income from lunch/breakfast/milk in the School Corporation's general ledger.

Anticipated Completion Date: Summer of 2017

  
\_\_\_\_\_  
Signature

Food Service Coordinator

\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Date



# Vigo County School Corporation

686 Wabash Avenue • P.O. Box 3703 • Terre Haute, IN 47803-0703  
(812) 462-4011

## CORRECTIVE ACTION PLAN

### FINDING 2016-006

Contact Person Responsible for Corrective Action: Thomas Lentes, Food Service Coordinator  
Contact Phone Number: 812-462-4245

#### Views of the Responsible Officials:

We concur with these findings but have considered purchase orders issued to our vendors as sufficient proof of adherence to the successful bid price (or implied 'contract' price) in the past.

#### Description of Corrective Action Plan:

The Food Service Office will verify that vendors are not suspended, debarred, or otherwise excluded from or ineligible for participation in federal assistance programs prior to bringing bids forward to the Board for approval. We will also work to develop contracts with the successful bidders.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
Signature

Food Service Coordinator

\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Date

VIGO COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***OVERDRAWN CASH BALANCES***

The financial statement included the School Transportation fund with an overdrawn cash balance of \$13,108 at June 30, 2016.

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)

A similar comment was included in prior Report B45209.

***PREPAID SCHOOL LUNCH ACCOUNTS***

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

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. 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, Vol.211)

The same comment was included in prior Report B45209.

VIGO COUNTY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2017, with Daniel Tanoos, Superintendent of Schools; Tammy Pearson, President of the School Board; Donna Wilson, Treasurer; and Bob Karr, Deputy-Treasurer.