

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FLAT ROCK - HAWCREEK SCHOOL CORPORATION

BARTHOLOMEW COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
12/29/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001	
Preparation of the Schedule of Expenditures of Federal Awards.....	4-6
Finding 2015-002	
Financial Transactions and Reporting	6-8
Finding 2015-003	
Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.....	8-10
Finding 2015-004	
School Breakfast Program and National School Lunch Program - Cash Management	10-11
Finding 2015-005	
Internal Controls over Special Education Cluster (IDEA)	11-13
Corrective Action Plan.....	14-18
Audit Result and Comment:	
Prepaid School Lunch Accounts.....	19
Exit Conference.....	20

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeffrey A. Cleland	07-01-13 to 06-30-18
Superintendent of Schools	Dr. Kathy Griffey Shawn Price	07-01-13 to 06-30-15 07-01-15 to 06-30-20
President of the School Board	Andrew Hunnicutt Steve Wilson Brian Rose Steve Wilson	01-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 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 FLAT ROCK - HAWCREEK SCHOOL CORPORATION, BARTHOLOMEW COUNTY, INDIANA

This report is supplemental to our audit report of the Flat Rock - Hawcreek 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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

November 16, 2017

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding was 2013-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer was the person solely responsible for preparing and submitting the SEFA. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control.

Context

Due to lack of controls, the following errors occurred on the SEFA:

1. The federal expenditures were incorrectly reported resulting in an understatement of \$275,097 for the 2013-2014 fiscal year and \$71,387 for the 2014-2015 fiscal year.
2. Not all Catalog of Federal Domestic Assistance (CFDA) numbers, program names, grants, and pass-through identifying numbers were correct or listed.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

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. . . ."

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

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

Subject: Financial Transactions and Reporting

Audit Findings: Material Weakness, Other Matters - Noncompliance

Repeat Finding

This is a repeat finding for receipts and payroll disbursements from the immediate prior year. The prior year finding was 2013-002.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting:

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts and payroll disbursements.

Receipts: The Treasurer was responsible for all aspects of the receipts process without any compensating controls.

Payroll Disbursements: The Treasurer was responsible for all aspects of the payroll disbursements without any compensating controls.

2. Cash and Investments: The School Corporation's internal controls over cash and investment balances were not effective. The bank reconciliements were reviewed and approved by someone other than the preparer; however, the reconciled bank balances did not reconcile to the records and contained numerous errors.
3. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Context

1. The lack of segregation of duties over receipts and payroll disbursements was prevalent during the entire audit period.
2. The bank reconciliation as of June 30, 2015, contained the following errors:

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- Forty-one reconciling items dated from July 2010 to June 2015 totaling \$179,705 in disbursements and \$7,761 in revenue which had not been posted to the School Corporation's ledger.
 - An unidentified cash variance of \$22,890 in which the bank account balance exceeded the record balance.
 - The outstanding check list included twelve checks totaling \$61,112 that had previously cleared the bank.
3. The School Corporation did not have internal controls to monitor and assess the quality of its system of internal controls during the entire audit period.

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal controls related to receipts, payroll disbursements, cash and investments, and monitoring of controls.

Effect

The failure to establish and properly implement controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Recommendation

We recommended that the School Corporation's management establish controls to ensure proper segregation of duties, monitoring of controls, and to prevent, or detect and correct, errors relating to receipts, payroll disbursements, and cash and investments.

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

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14, FY 15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Modified Opinion

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

Reporting is a repeat finding from the immediate prior. The finding number was 2013-003. All other compliance requirements are not a repeat finding from the immediate prior year.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

The School Corporation was unable to locate several accounting records needed to complete the audit, including, but not limited to, the following: invoices, reports, timesheets, contracts, and free and reduced price applications; therefore, compliance related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements could not be determined.

Context

The lack of controls was a systemic problem throughout the audit period. Due to the lack of records, compliance could not be determined for the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement, Suspension and Debarment, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

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. . . ."

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."

Cause

Management had not developed a system of internal controls that would have ensured that accounting records were maintained and made available for audit.

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system and retain and provide records for audit related to the programs prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

Questioned Costs

Supporting documentation for the National School Lunch Program Sponsor Claim (claim for reimbursement) was not presented; therefore, we could not verify the amounts claimed for reimbursement. The total known questioned costs was \$505,145.

Recommendation

We recommended that the School Corporation's management establish controls and maintain records related to 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 2015-004

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 Number and Year (or Other Identifying Number): FY 14, FY 15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior year. The finding was 2013-003.

Condition

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.

Context

A lack of controls over Cash Management was a systematic problem throughout the audit period.

FLAT ROCK - HAWCREEK 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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management requirements.

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 requirement.

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 Cash Management compliance requirement.

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

Subject: Internal Controls 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): 14213-033-PN01, 14214-033-PN01,
14215-033-PN01, 99914-033-TA01,
45713-033-PN01, 45714-033-PN01,
45715-033-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Level of Effort, Reporting

Audit Finding: Material Weakness

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Cash Management, Level of Effort, and Reporting.

Context

Cash Management and Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that requests for reimbursement and December 1 count reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no segregation of duties, such as an oversight, review, approval process, or another compensating control.

Level of Effort

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Excess Cost Calculator and Maintenance of Effort worksheets were accurately prepared. One person was responsible for preparing and submitting the worksheets. There was no segregation of duties, such as an oversight, review, approval process, or another compensating control.

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 established a system of internal control that would have ensured oversight and review of the Cash Management, Level of Effort, and Reporting requirements.

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.

FLAT ROCK - HAWCREEK 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.

Shawn R. Price, Ed.S.
Superintendent

Jeffrey Cleland
Business Manager

Melissa Dempsey
Assistant Business Manager

Flat Rock-Hawcreek School Corporation

Jim Tedder
Director of Transportation
and Facilities

Joyce Garrison
Secretary

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish a system of internal control to prevent, or detect and correct, errors on the SEFA. The Business Manager and Assistant Business Manager shall jointly review all federal expenditures within each fiscal year to ensure the accurate reporting of the SEFA.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
Superintendent

Jeffrey Cleland
Business Manager

Melissa Dempsey
Assistant Business Manager

Flat Rock-Hawcreek School Corporation

Jim Tedder
Director of Transportation
and Facilities

Joyce Garrison
Secretary

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish a system of internal control to ensure proper segregation of duties, monitoring of controls, and to prevent errors relative to receipts, payroll disbursements and cash and investments.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
Superintendent

Jeffrey Cleland
Business Manager

Melissa Dempsey
Assistant Business Manager

Flat Rock-Hawcreek School Corporation

Jim Tedder
Director of Transportation
and Facilities

Joyce Garrison
Secretary

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation shall establish a system of internal controls related to the Child Nutrition Cluster that will ensure accounting records are maintained and available for audit.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
Superintendent

Jeffrey Cleland
Business Manager

Melissa Dempsey
Assistant Business Manager

Flat Rock-Hawcreek School Corporation

Jim Tedder
Director of Transportation
and Facilities

Joyce Garrison
Secretary

CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation shall establish a system of internal controls related to the Child Nutrition Cluster that will ensure that the cash balance for the School Lunch fund does not exceed the three months average expenditures. The Business Manager and Food Service Director will review the expenditure and fund reports to comply with the Cash Management requirement.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

Shawn R. Price, Ed.S.
Superintendent

Jeffrey Cleland
Business Manager

Melissa Dempsey
Assistant Business Manager

Flat Rock-Hawcreek School Corporation

Jim Tedder
Director of Transportation
and Facilities

Joyce Garrison
Secretary

CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Jeffrey Cleland
Contact Phone Number: 812-546-4922

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation shall establish an internal control system and a segregation of duties procedure to ensure the accuracy of reimbursement requests, and December 1 student counts; as well as procedures relating to the accurate preparation of the Excess Cost Calculator and Maintenance of Effort worksheets.

Anticipated Completion Date: January 1, 2018

Jeffrey A. Cleland
(Signature)

Business Manager
(Title)

November 15, 2017
(Date)

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL LUNCH ACCOUNTS

Prepaid meal payments were receipted into the School Lunch Fund 800. There was not a separate fund to account for the prepaid meal payments.

Fund 8400 Prepaid Food is a trust account where monies are initially deposited on behalf of the individual students. Monies were intended to remain in the trust account until they were spent on food purchases. Monies were to be transferred from Fund 8400 Prepaid Food to Fund 800 School Lunch to account for actual monies spent by students on food purchases.

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 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 Bulletin and Uniform Compliance Guidelines, September 2015)

FLAT ROCK - HAWCREEK SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 16, 2017, with Jeffrey A. Cleland, Treasurer; Andrew Hunnicutt, School Board member; and Shawn Price, Superintendent of Schools.