

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHOALS COMMUNITY SCHOOL CORPORATION

MARTIN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
08/09/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa C. Elliott	01-01-14 to 12-31-18
Superintendent of Schools	Dr. Candace Roush	07-01-14 to 06-30-19
President of the School Board	May Lou Billings Lorna A. Troutman Dianna Ragsdale	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SHOALS COMMUNITY SCHOOL
CORPORATION, MARTIN COUNTY, INDIANA

This report is supplemental to our audit report of the Shoals Community 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/.

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 Result and Comment, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

July 12, 2018

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

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 federal award information within the School Corporation's Annual Report on the Indiana Gateway for Government Units, which was used to generate the School Corporation's SEFA, was entered by the Treasurer without a control process in place to ensure its accuracy before submission.

Context

The following errors occurred on the SEFA: federal expenditures in the Child Nutrition Cluster and Special Education Cluster (IDEA) were understated by \$66,495 and \$34, respectively, and the Child Nutrition Discretionary Grants Limited Availability federal expenditures, totaling \$20,000, were not reported. Additionally, one grant was reported that was not a federal program, resulting in an overstatement of \$10,000. Combined, these errors resulted in a net understatement of the SEFA, totaling \$76,529. In addition, several grant names were reported incorrectly.

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. . . ."

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. . . ."

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

The School Corporation's 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*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: Financial Transactions and Reporting - Payroll Disbursements
Audit Finding: Significant Deficiency

Condition

The School Corporation had implemented an internal control over payroll disbursements that noncertified employees completed time cards each pay period and the time cards were to be signed by the employee's supervisor. However, the control was not operating effectively during the audit period. Additionally, the control was not being monitored properly to ensure it was operating effectively.

During testing of implementation of the control identified above, not all time cards for noncertified employees were signed by the employee's supervisor for three of the five pay periods reviewed, all of which occurred in the 2015-2016 school year.

Context

The internal control issues were isolated to school year 2015-2016.

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. . . ."

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not properly implemented and monitored the system of internal controls related to payroll disbursements.

Effect

The failure to properly implement and monitor controls could have enabled misstatements or irregularities related to payroll disbursements to remain undetected.

Recommendation

We recommended that the School Corporation's management monitor the system of internal controls related to payroll disbursements to ensure that internal controls operated effectively.

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: Child Nutrition Cluster - Internal Controls

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): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP),
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 Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Reporting and Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)*

Adequate internal controls were not in place over the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements to ensure the accuracy of the reports filed. The same employee had sole responsibility for preparing and submitting the monthly Sponsor Claims (claims for reimbursement), the Annual Financial Reports, and the School Food Authority (SFA) Verification Collection Reports. There was no segregation of duties documented, such as an oversight, review or approval process, or other compensating control over the reports that were filed.

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Adequate internal controls were not in place over the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The same employee had sole responsibility for preparation of the paid lunch equity calculation with no evidence of an independent oversight, review, or approval process to ensure the accuracy of the calculation performed.

Context

The lack of controls was a systemic problem occurring 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. . . ."

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 of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

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 were no questioned costs identified.

SHOALS COMMUNITY 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 2016-004

Subject: Child Nutrition Cluster - Eligibility

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): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Modified Opinion

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 Eligibility compliance requirement.

No procedures existed to ensure the accuracy of the eligibility determination calculations performed for free and reduced price applications. The Deputy Treasurer was solely responsible for updating the poverty information each year in the financial software program (program), as well as for inputting applicant information into the program. The program automatically calculated eligibility based upon the data that was entered into the program by the Deputy Treasurer. There was no evidence of an independent review of the poverty information entered into the program or of any of the calculations to ensure that the Deputy Treasurer was correctly entering applicant data into the program.

There was no process in place to ensure that the eligibility determination section of the application was completed to substantiate the eligibility determination made. Eligibility determinations were properly certified through the first week of August 2015. However, after that time the School Corporation changed procedures, and a School Corporation official did not complete the eligibility determination section of the application certifying that the eligibility determination made by the program was accurate. The majority of free and reduced price applications for school year 2015-2016 were submitted after the first week of August and, therefore, were not properly certified by the School Corporation.

Additionally, the School Corporation was required to provide written notice to applicants whose applications for free and reduced price meals were denied. The School Corporation indicated they mailed letters to these applicants during the audit period; however, the School Corporation did not retain copies of those letters or any other documentation indicating to whom letters were sent to as required. Therefore, compliance with this requirement could not be verified.

Context

The internal control issues and failure to retain supporting documentation of notifications made to applicants who were denied benefits were systemic problems throughout the audit period. The record-keeping issue that applications were not fully completed was isolated to 2015-2016.

SHOALS COMMUNITY 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. . . ."

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). . . ."

7 CFR 245.6 states in part:

". . . (c) . . . The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local education agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year. . . ."

(7) *Denied applications and the notice of denial.* When the application furnished by a family is not complete or does not meet the eligibility criteria for free or reduced price benefits, the local educational agency must document and retain the reasons for ineligibility and must retain the denied application. In addition, the local educational agency must promptly provide written notice to each family denied benefits. At a minimum, this notice shall include:

- (i) The reason for the denial of benefits, e.g. income in excess of allowable limits or incomplete application;
- (ii) Notification of the right to appeal;
- (iii) Instructions on how to appeal; and
- (iv) A statement reminding parents that they may reapply for free or reduced benefits at any time during the school year. . . .

(e) *Recordkeeping.* The local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain, except that if audit findings have not been resolved, the documentation must be maintained as long as required for resolution of the issues raised by the audit. . . ."

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured proper supporting documentation was maintained and made available for audit relating to the Eligibility compliance requirement.

Effect

The failure to ensure proper supporting documentation was maintained and made available for audit prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure supporting documentation will be maintained and made available for audit relating to the Eligibility 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 2016-005

Subject: Child Nutrition Cluster - 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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

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 Program Income compliance requirement.

The School Corporation had not designed or implemented policies or procedures to ensure that program income was properly recorded in its records. A single fund, the School Lunch fund, was used to account for all activity of the school food service program from July 2014 to December 2015 with no distinction between prepaid amounts and the program income generated from the school food service program.

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

In January 2016, the School Corporation set up Fund 8400 - Cafeteria Prepaid Receipts to account for prepayments as required. However, the School Corporation did not properly utilize this fund for its prepaid transactions. The School Corporation did not record all receipts into the Cafeteria Prepaid Receipts fund and did not make subsequent transfers periodically or at the end of each month to the School Lunch fund as required.

Context

The internal control and noncompliance issues were systemic problems that existed 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. . . ."

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). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 200.7 states in part:

". . . (e) Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

SHOALS COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Administrator and Uniform Compliance Guidelines, Volume 183)

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 develop and implement procedures and establish controls over the recording of program income generated by the School Corporation to ensure compliance with the Program Income compliance requirement.

Views of Responsible Officials

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

Shoals Community School Corporation

Dr. Candace Roush
Superintendent

Lisa C. Elliott
Corporation Treasurer

Miranda Beaver
Corporation Secretary
Deputy Treasurer
Transportation Secretary
Payroll

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Eva George
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Jenell Hoffman
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Bill Bauer
Member

Drexel Turpin
Member

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Lisa C. Elliott
Contact Phone Number: 812-247-2060

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

I will check the grants to be included on the Schedule of Expenditures for Federal Awards with the Form 9 that will be completed around the same time as the SEFA. I will check with the Director of Joint Services in Bedford to make sure that I have the correct amounts listed for the Special Education Grants. I will have our Child Nutrition Manager check her grant amount with the director of the Child Nutrition Grant.

The program names will be checked with the list that the current auditor left us after this audit was completed.

After I prepare the list of Grant Awards, I will present a copy of the report to Candace Roush, Superintendent, for her to audit. If any corrections are needed, they will be adjusted at that time.

Anticipated Completion Date: Summer of 2018

(Signature)

Lisa C. Elliott

(Title)

Corp. Treasurer

(Date)

6/25/2018

Shoals Community School Corporation

Dr. Candace Roush
Superintendent

Lisa C. Elliott
Treasurer

Miranda Beaver
Corporation Secretary
Deputy Treasurer

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Eva George
Vice President

Jenell Hoffman
Secretary

Bill Bauer
Member

Drexel Turpin
Member

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Candace Roush
Contact Phone Number: 812-247-2060

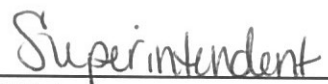
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Superintendent will create a checklist for all department heads to sign and turn in with their building reports to show that they have signed time cards from all employees directly under their supervision.


Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

Shoals Community School Corporation

Dr. Candace Roush
Superintendent

Lisa C. Elliott
Treasurer

Miranda Beaver
Corporation Secretary
Deputy Treasurer

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Drexel Turpin
Member

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Michelle Roush
Contact Phone Number: 812-247-2060

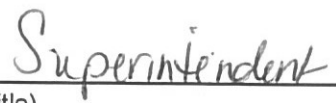
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We will have the cafeteria manager, assistant manager, or deputy treasurer sign the cafeteria annual financial report, verifications, monthly claims, and paid lunch calculations. At least two people will sign these reports.

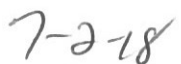
Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

Shoals Community School Corporation

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Superintendent

Lisa C. Elliott
Treasurer

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Member

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Michelle Roush
Contact Phone Number: 812-247-2060

Views of Responsible Official: We concur with the finding.

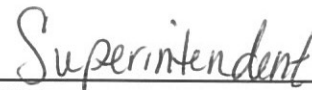
Description of Corrective Action Plan:

We have already started keeping duplicate copies of cafeteria free/reduced lunch denial letters and filling out the eligibility determination section in Harmony for the online applications. We will also start signing a yearly document in November to state that we have reviewed the poverty information in harmony and pulled a sample number of applications to review.

Anticipated Completion Date: The duplicate copies are already being kept for the denial letters and eligibility determination section is already being filled out. The yearly document signing will take place by November 30, 2018.



(Signature)



(Title)



(Date)

Shoals Community School Corporation

Dr. Candace Roush
Superintendent

Lisa C. Elliott
Treasurer

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Secretary

Bill Bauer
Member

Drexel Turpin
Member

CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Michelle Roush
Contact Phone Number: 812-247-2060

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The pre-paid lunch account balance will be double checked with our student database system on a monthly basis. All cafeteria funds will be deposited into the pre-sales account and then transferred monthly to the cafeteria account based on the monthly sales.

Anticipated Completion Date: September 2, 2018 after the first month of student collections.

Candace Roush
(Signature)

Superintendent
(Title)

6-28-18
(Date)

SHOALS COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B46420, entitled *PREPAID FOOD ACCOUNT*.

The School Corporation established the Cafeteria Prepaid Receipts fund (clearing account) to account for prepayment of meals by students in January 2016. Prepaid food transactions were not recorded properly using the prepaid school meal account from January to June 2016.

The School Corporation did not record all advance payments for meals received from students as receipts into the clearing account with a subsequent transfer to the School Lunch fund based upon the food service program's monthly sales. Instead, the School Corporation computed the net difference between total deposits and total value of meals served and made a transfer between the Cafeteria Prepaid Receipts fund and the School Lunch fund. In addition, monthly reconcilements of the balance of student accounts to the prepaid school meal account were not performed.

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 Bulletin and Uniform Compliance Guidelines, September 2015)

SHOALS COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2018, with Lisa C. Elliott, Treasurer; Dr. Candace Roush, Superintendent of Schools; and Dianna Ragsdale, President of the School Board.