

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
PORTER COUNTY, INDIANA
July 1, 2015 to June 30, 2018



FILED
03/28/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Beverly Hindes	07-01-15 to 12-31-19
Superintendent of Schools	Nathan Kleefisch	07-01-15 to 12-31-19
President of the School Board	David Molchan Tom Fry David Molchan	07-01-15 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE METROPOLITAN SCHOOL DISTRICT
OF BOONE TOWNSHIP, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Metropolitan School District of Boone Township (School Corporation), for the period from July 1, 2015 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statements Audit Report of the School Corporation, which provides our opinion on the School Corporation's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The 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 Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

March 18, 2019

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - RECEIPTS

A similar comment appeared in the prior Report B46791, entitled *FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING*.

The School Corporation had not designed or implemented proper segregation of duties related to receipts. The Treasurer recorded all receipts for the School Corporation; however, the receipts were not recorded in the computerized accounting system at the time of the collection. The School Corporation's financial system allowed the receipts to be backdated when recorded. There was no segregation of duties, such as an oversight, review, or approval process.

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. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
AUDIT RESULTS AND COMMENTS
(Continued)

TRAINING ON INTERNAL CONTROL STANDARDS

Training over internal control standards was not provided to the School Board members as required by Indiana Code 5-11-1-27(g).

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

PREPAID LUNCH ACCOUNT RECONCILIATIONS

Monthly reconciliations of all the students' individual meal account balances to the Prepaid Food fund (clearing account) were not performed. The Prepaid Food fund as of June 30, 2018, had a cash balance of \$14,720. The detail list of student balances at June 30, 2018, was \$5,073, a variance of \$9,647 in unreconciled funds.

When a student puts money into their individual meal account, it 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 money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, Volume 225, February 2019)

Administration
Nathan H. Kleefisch, Ed.D.
Superintendent
Aaron M. Owney
Principal
Hebron High School
Jeffrey J. Brooks
Principal
Hebron Middle School
James R. Martin
Principal
Hebron Elementary School

METROPOLITAN SCHOOL DISTRICT
of
BOONE TOWNSHIP

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Website: www.hebronschools.k12.in.us

School Board
David J. Molchan
President
Gerald S. Michalak
Vice President
Keith P. Buchanan
Secretary
Thomas G. Fry
Member
Stephanie B. Mathews
Member

Mission Statement

The mission of the MSD of Boone Township is to educate and prepare today's students for tomorrow's challenges.

OFFICIAL RESPONSE

March 26, 2019

State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, IN 46204-2765

M. S. D. of Boone Township accepts the findings presented to us in the Exit Conference held on March 18, 2019 and the following responses are to be included in our report.

1. Internal Controls – Receipts. Detailed process has been outlined in our CAP and will be implemented as soon as reasonably possible.
2. Training on Internal Controls Standards. We have notified our School Board that they are to be included in the personnel that require training. They have been instructed to complete training by April 5, 2019.
3. Prepaid Lunch Account Reconciliations – Will reconcile computerized software program with the Cafeteria computerized reports annually. Generally done at end of school year. Process to begin May – June 2019.

M. S. D. of Boone Township's administration appreciates the efforts of the State Board of Accounts and the opportunity to respond to the comments made.

Sincerely,



Beverly Hinder
Corporation Treasurer



MSD of Boone Township
HELPING STUDENTS SUCCEED

METROPOLITAN SCHOOL DISTRICT OF BOONE TOWNSHIP
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2019, with Beverly Hindes, Treasurer; Nathan Kleefisch, Superintendent of Schools; David Molchan, President of the School Board; Jerry Michalak, School Board member; Keith Buchanan, School Board member; Tom Fry, School Board member; and Karen Kubaszak, Accounts Payable Clerk.