

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EASTERN GREENE SCHOOLS

GREENE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**

04/22/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marilyn Burch	07-01-16 to 06-30-19
Superintendent of Schools	Arthur T. Baechtold, Jr.	07-01-16 to 06-30-19
President of the School Board	Michael Adams Ron Childress Duane Long	07-01-16 to 12-31-16 01-01-17 to 06-30-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE EASTERN GREENE SCHOOLS, GREENE COUNTY, INDIANA

This report is supplemental to our audit report of the Eastern Greene Schools (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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 Finding, identified in the above referenced audit report, is included in this report.

Any Corrective Action Plan for the Federal Finding, incorporated within this report, was not verified for accuracy.

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

March 27, 2019

EASTERN GREENE SCHOOLS  
FEDERAL FINDING

***FINDING 2018-001***

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): FY 16-17, FY 17-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

*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. There were no procedures established to ensure that the receipts of the School Breakfast Program and National School Lunch Program were handled properly in accordance with the Program Income compliance requirement.

The School Corporation established a single fund, the School Lunch fund, to account for all activity of the food service program. The School Corporation also maintained prepaid accounts for students. When prepaid funds were received, they were receipted as revenue with the program income into a separate account set up for prepaid funds within the School Lunch fund. Sales records were maintained; however, meals purchased were not transferred from the prepaid account to the correct revenue account within the School Lunch fund. Therefore, the sources of revenues were not properly identified within the School Lunch fund.

*Context*

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

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). . . ."

EASTERN GREENE SCHOOLS  
FEDERAL FINDING  
(Continued)

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 220.7(e) states in part:

"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; . . ."

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 Bulletin and Uniform Compliance Guidelines, September 2008)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to remain undetected. Noncompliance with the grant agreement and the Program Income 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 establish a system of internal controls to ensure compliance related to the grant agreement and 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.

# Eastern Greene Schools Central Office

1471 N. State Road 43, Bloomfield, IN 47424

Mr. Ted Baechtold, Superintendent

Mrs. Marilyn Burch, Corporation Treasurer

Mrs. Moriah Crane, Payroll Administrative Assistant

Mrs. Cari Helms, Administrative Assistant

Main Office Phone (812) 825-5722 Fax (812) 825-9413



Eastern Greene  
Schools

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## CORRECTIVE ACTION PLAN

### **FINDING 2018-001**

Contact Person Responsible for Corrective Action: Ted Baechtold / Marilyn Burch

Contact Phone Number: 812-825-5722

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer will deposit all cafeteria pre-paid deposits into a clearing account in Fund #8400 and record these amounts on a spreadsheet. As meals are purchased using account money, a monthly revenue transfer from the clearing account in Fund #8400 to the appropriate cafeteria program accounts in Fund #800 will occur to reflect these purchases. The Food Service Director will provide an end of month report from Nutri-Kids listing pre-paid account totals and compare it to the Komputrol Cafeteria clearing account fund balance.

Completion Date: Implemented June 1, 2018

Arthur T. (Ted) Baechtold, Jr.  
Superintendent  
March 20, 2019

Marilyn Burch  
Corporation Treasurer  
March 20, 2019

EASTERN GREENE SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 27, 2019, with Arthur T. Baechtold, Jr., Superintendent of Schools; Marilyn Burch, Treasurer; and Scott Carmichael, School Board member.