

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

FRANKTON-LAPEL COMMUNITY  
SCHOOL CORPORATION  
MADISON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**

05/14/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynne Hall Candace McDonald	07-01-16 to 11-04-18 11-05-18 to 06-30-19
Superintendent of Schools	Bobby Fields	07-01-16 to 06-30-19
President of the School Board	Tami Davis Brian Gill Tami Davis Mike Rusche	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY  
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the Frankton-Lapel Community School Corporation (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 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 for the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

April 18, 2019

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

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 report. The prior audit finding number was 2016-001.

*Condition*

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA contained the following errors:

1. The Title I Grants to Local Educational Agencies expenditures were understated by \$44,124 for the period ending June 30, 2017.
2. The Title II Part A Improving Teacher Quality Grants expenditures were understated by \$12,361 for the period ending June 30, 2017.
3. The Rural and Low-Income Schools Grant expenditures were understated by \$42,503 for the period ending June 30, 2017.

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.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

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

*Effect*

Without a proper system of internal controls 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.

**FINDING 2018-002**

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments and receipts.

1. Cash and Investments: Monthly reconciliements were adequately detailed and summarized, but were prepared by one individual without a proper system of oversight, review, or approval.
2. Receipts: One individual prepares the deposit slip for all receipts and compares the total on the deposit slip to the corresponding receipt edit. There was no evidence of a proper oversight, review, or approval process.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

*Cause*

Management had not established a proper system of internal controls that segregated key functions related to cash and investments and receipts.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, over financial transactions and reporting related to cash and investments and receipts.

*Views of Responsible Officials*

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-003***

Subject: Child Nutrition Cluster - Equipment and Real Property Management and Allowable Costs/Cost Principles  
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): 2016-2017, 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Equipment and Real Property Management, Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit report regarding Equipment and Real Property Management. The prior audit finding number was 2016-008.

*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 Equipment and Real Property Management and Allowable Costs/Cost Principles compliance requirements.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that it maintain records of equipment purchased in whole or in part with federal funds, that it perform a physical inventory of equipment, and that it obtain approval from the Indiana Department of Education (IDOE) for equipment costing \$5,000 or more.

The School Corporation did not comply with equipment requirements. A list of equipment acquired with federal awards was not maintained, nor was physical inventory of equipment acquired with federal awards performed during the audit period.

Additionally, the School Corporation purchased equipment with a value of more than \$5,000 without obtaining approval for the IDOE. The IDOE National School Lunch Program Procurement Policy requires that any equipment purchases made with Child Nutrition funds exceeding \$5,000 be approved by the IDOE prior to purchase.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(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). . . ."

2 CFR 200.313(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

2 CFR 200.33 states in part:

*"Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. . . ."

2 CFR 200.439(b) states in part:

"The following rules of allowability must apply to equipment and other capital expenditures:  
. . .

2. Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.313(a) states in part:

*"Title.* Subject to the obligations and conditions set forth in this section, title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity. Unless a statute specifically authorizes the Federal agency to vest title in the non-Federal entity without further obligation to the Federal Government, and the Federal agency elects to do so, the title must be a conditional title. Title must vest in the non-Federal entity subject to the following conditions: . . .

- (2) Not encumber the property without approval of the Federal awarding agency or pass-through entity. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Equipment and Real Property Management and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Equipment and Real Property Management and Allowable Costs/Cost Principles compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Equipment and Real Property Management and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2018-004**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
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): 2016-2017, 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-009.

*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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established effective controls to ensure compliance with procurement requirements. The School Corporation did not obtain or retain quotes or price comparisons from more than one vendor or have documentation to support the rationale regarding the reasons competition was limited.

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs. The School Corporation did not comply with the suspension and debarment requirements. The School Corporation could not provide documentation of their verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred 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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . ."

2 CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

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 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 of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2018-005**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed and Allowable Costs/Cost Principles  
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): 2016-2017, 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
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 2016-004.

*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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Effective controls were not in place to ensure that only employees who performed functions related to the Child Nutrition Cluster were paid from program funds.

The School Corporation paid some administrative employees' wages from the Child Nutrition Cluster funds based on fixed percentages rather than actual time spent on the program. Time and effort documentation was prepared starting September 2016; however, some administrative personnel selected for testing did not have time and effort documentation to support time worked on and charged to the Child Nutrition Cluster program.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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). . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

***FINDING 2018-006***

Subject: Child Nutrition Cluster - Internal Controls over 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): 2016-2017, 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-006.

*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 Cash Management compliance requirement.

The School Corporation did not have controls in place to monitor cash balances to ensure they were meeting the program requirements. The School Corporation relied on the Indiana Department of Education to contact them to submit spend down plans in response to their excessive balances.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

This was a systemic issue 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). . . ."

*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 Cash Management 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 2018-007**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grant

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-025-PN01, 14216-025-PN01,  
14217-025-PN01, 18611-023-PN01,  
45716-023-PN01, 45717-023-PN01  
18619-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-015.

*Condition*

The School Corporation had not established an effective internal control system related to the Matching, Level of Effort, Earmarking compliance requirement.

Documentation supporting fiscal years 2016-2017 and 2017-2018 maintenance of effort (MOE) calculations were not provided. In addition, no supporting documentation for detail line items for 2016-2017 and 2017-2018 MOE calculations were available for audit. Therefore, we were unable to determine if MOE calculations were correct.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred for both years of 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). . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(b) The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Matching, Level of Effort, Earmarking 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 2018-008**

Subject: Special Education Cluster (IDEA) - Period of Performance  
Federal Agency: Department of Education  
Federal Program: Special Education Grants to States  
CFDA Number: 84.027  
Federal Award Number (or Other Identifying Number): 18611-023-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Period of Performance  
Audit Findings: Material Weakness, Other Matters

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative) during fiscal year 2017-2018. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During 2017-2018, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the period of performance requirements. 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 Period of Performance compliance requirement.

Special Education grants have a period of performance that requires costs not be incurred prior to the July 1 start of the grant award. For grant 18611-023-PN01, obligations for transactions recorded near the beginning of the grant award were found to have been incurred prior to the start of the period of performance for three of seven claims examined.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The noncompliance was isolated to the 18611-023-PN01 award in 2017-2018.

*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). . . ."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Period of Performance requirement.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Period of Performance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Period of Performance requirement.

*Views of Responsible Officials*

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

**FINDING 2018-009**

Subject: Special Education Cluster (IDEA) - Procurement

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 (or Other Identifying Numbers): 14216-025-PN01, 14217-025-PN01,  
18611-023-PN01, 45717-023-PN01,  
18619-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative) during fiscal year 2017-2018. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During 2017-2018, the fiscal agent of the Cooperative spent federal money on behalf of the School Corporation and other member school corporations and was responsible for following the procurement requirements. An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the procurement requirements.

The written procurement policies and procedures of the fiscal agent did not comply with the procurement requirements outlined in the *Criteria* below. The written policies did not specify the avoidance of unnecessary or duplicative items or that all solicitations should incorporate a description of the technical

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

requirements of the procurement. The fiscal agent also had a policy to use local or geographical preferences in the evaluation of bids or proposals. Additionally, no documentation was made available for audit to verify that price or rate quotations were obtained from an adequate number of qualified sources or that the procurements provided full and open competition.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred 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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . ."

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . ."

2 CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

# Frankton-Lapel Community Schools

Robert A. Fields  
Superintendent

Sterling Boles  
Assistant Superintendent

## CORRECTIVE ACTION PLAN

### FINDING 2018-001

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges inaccuracies when preparing and submitting federal expenditures for the audit period, as submitted through gateway.

#### Description of Corrective Action Plan:

The cause of underreporting is mainly attributed to the fact that the new Treasurer was unaware of the Rural and Low-Income Grant, and therefore did not report the funds as federal dollars. Regarding Title I & II funds, an oversight occurred.

A new system of internal control is already set in place. Going forward, the Treasurer will compile the federal expenditure information. Before submission a thorough review will be done by the Superintendent.

#### Anticipated Completion Date:

All details listed above have been implemented and will be applied during the next submission into gateway.

### FINDING 2018-002

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges the lack of internal control over cash and investments and receipts.

#### Description of Corrective Action Plan:

A new system of internal control is already set in place. The Treasurer prepares and presents bank reconciliation information to the Board on a monthly basis. The Superintendent also receives a copy of the reconciliation monthly and signs off for review.

Internal controls over receipting has been implemented. A monthly report is received by the Superintendent who reviews and signs the report.

Anticipated Completion Date:

All details listed above have been implemented.

**FINDING 2018-003**

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges inconsistencies with internal controls over equipment approvals within the school lunch program. We also acknowledge noncompliance with the equipment requirement.

Description of Corrective Action Plan:

The cause of the error resulted from the lack of knowledge of the compliance requirement. The new Treasurer is well aware of the School Lunch federal compliance requirements and will oversee that the requirements are met in a timely manner.

During the current period our School Lunch Director has applied for approval from IDOE on all equipment purchases over \$5,000.00. Beginning in 2018 / 2019 school year, a log of all equipment purchased with federal funds is kept and updated when necessary.

Anticipated Completion Date:

All details listed above have already been implemented.

**FINDING 2018-004**

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges inaccuracies with internal controls over procurement and suspension and debarment. We acknowledge that during the audit period suspension and debarment was inconsistent. We also acknowledge that all information regarding small purchases that quotes/price comparisons were completed however, not retained.

Description of Corrective Action Plan:

During the audit period, vendors were verified to not be suspended or debarred however, documentation of that action was not completed. Beginning in December 2018, the School Lunch Director now dates and initials that verification from the SAMs website was completed. The Treasurer meets with the School Lunch Director monthly to ensure this is completed.

Our purchasing policy will be updated to include procedures for small purchases. Documentation will be retained to ensure rationale on reasoning for choosing a particular vendor.

Anticipated Completion Date:

All details listed above will be fulfilled by August 1, 2019.

***FINDING 2018-005***

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges the noncompliance with allowable costs and allowable activities in regards to the School Lunch Program.

Description of Corrective Action Plan:

Prior to the new Treasurer arriving, calculations for administrative employee hours spent were completed. Time and Effort reports for these employees will be filed beginning in the month of June. By doing so we will ensure compliance with allowable activities and allowable costs.

Anticipated Completion Date:

June 30, 2019

***FINDING 2018-006***

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges inaccuracies regarding internal controls over school lunch cash balances. We also acknowledge inconsistencies with internal control over this requirement.

Description of Corrective Action Plan:

Beginning in December 2018, a spread sheet is kept to monitor closely the balances of the school lunch fund. Currently a plan to spend down the fund is in place to rectify the issue.

A meeting between the School Lunch Director and Corporation Treasurer has been scheduled in June of 2019. The purpose of this meeting is to discuss how to responsibly spend the School Lunch Fund in order to remain under the average of three months expenditures.

Anticipated Completion Date:

A completion date to compile a spend down plan is set for June of 2019.

**FINDING 2018-007**

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges inaccuracies when reporting MOE information.

Description of Corrective Action Plan:

The new Treasurer has appropriate knowledge of the Special Education MOE calculation. Going forward all documentation will be retained for audit.

A new system of internal control is already set in place. Going forward, the Treasurer will compile the MOE information. Before submission a thorough review will be done by the Superintendent.

Anticipated Completion Date:

All details listed above will be applied during the next MOE calculation.

**FINDING 2018-008**

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges the error made on our behalf by Hamilton-Boone-Madison Special Services Cooperative (HBM) regarding period of performance.

Description of Corrective Action Plan:

The Corporation Treasurer held a meeting with the Director of Hamilton-Boone-Madison Special Services Cooperative on March 28, 2019 and was reassured that this will not occur again.

The Treasurer will have regular contact with the staff of HBM to follow up and ensure changes are implemented.

Anticipated Completion Date:

Follow up from Frankton-Lapel Community Schools was completed March 28, 2019.

**FINDING 2018-009**

Contact Person Responsible for Corrective Action: Candace McDonald  
Contact Phone Number: 765-734-1261

Frankton-Lapel Community Schools acknowledges the error made on our behalf by Hamilton-Boone-Madison Special Services Cooperative (HBM) regarding procurement.

Description of Corrective Action Plan:

The Corporation Treasurer held a meeting with the Director of Hamilton-Boone-Madison Special Services Cooperative on March 28, 2019 and was reassured that this will not occur again.

The Treasurer will have regular contact with the staff of HBM to follow up and ensure changes are implemented.

Anticipated Completion Date:

Follow up from Frankton-Lapel Community Schools was completed March 28, 2019.

Candace Muhammad  
(Signature)

Corporation Treasurer  
(Title)

April 18, 2019  
(Date)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**PREPAID SCHOOL LUNCH ACCOUNT**

A similar comment also appeared in prior Report B50840, entitled *PREPAID SCHOOL MEAL ACCOUNTS*.

Prepaid food receipts were accounted for in Fund 8400 Prepaid Food. When a student with prepaid money purchased a meal, a negative receipt, instead of a disbursement, was recorded to the Prepaid Food fund, representing a transfer out of that fund to be receipted into Fund 800 School Lunch.

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 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 the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B50840.

The financial statements presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2018:

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Fund	Amount Overdrawn June 30, 2017	Amount Overdrawn June 30, 2018
2016-17 Early Intervention Grant	\$ -	\$ 18
FES PTG Technology	6,655	6,655
Kindergarten Camp Grant	6,815	11,652
All Day Kindergarten	5,930	-
Reimbursement	160,449	75,468
Private School Account	1,996	18,696
Technology/E-Rates	-	3,852
Pre-Paid Lunch	67,140	82,134

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)

**ANNUAL FINANCIAL REPORT – NEGATIVE RECEIPTS AND DISBURSEMENTS**

The same comment also appeared in prior Report B50840.

During 2017-2018, transfers totaling \$310,586 were recorded in financial records as transfers out of the General fund and negative disbursements in the Self-Insurance fund rather than transfers in. Therefore, transfers in and disbursements were understated in the Self-Insurance fund on the financial statement.

5200 Transfers From One Fund to Another. Receipt to this account all authorized transfers from one fund to another for specific purposes; for example, temporary transfers authorized by school board resolution in accordance with IC 36-1-8-4, from one fund to another in need of money for cash flow purposes. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 5)

60100 Transfers From One Fund to Another. All transfers for one fund to another fund, as detailed under Receipt Account No. 5200. The disbursements posted to this account (60100) should agree with receipts posted to account No, 5200. Also include Debt Service TBR Transfer Authorized by IC 20-40-9. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 6)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 18, 2019, with Bobby Fields, Superintendent of Schools; Candace McDonald, Treasurer; Mike Rusche, President of the School Board; Randy Cunningham, Vice President of the School Board; and Bill Brobston, School Board member.