

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORLEANS COMMUNITY SCHOOLS

ORANGE 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 | Theresa Robbins | 01-01-16 to 12-31-19 |
| Superintendent of Schools | Gary McClintic | 07-01-16 to 06-30-22 |
| President of the School Board | Jonathan Stalker Barry Bishop David Henderson Carl Anderson | 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 |



STATE OF INDIANA
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TO: THE OFFICIALS OF THE ORLEANS COMMUNITY SCHOOLS, ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Orleans Community 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 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

April 22, 2019

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2018-001

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-003 from the immediately prior audit.

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

Program Income

Adequate internal controls were not in place over the Program Income compliance requirement. The School Corporation did not have procedures in place to ensure that income received through the federal program was properly recorded in the financial reporting system.

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 Report, and the School Food Authority (SFA) Verification Collection Reports. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control over the reports that were filed.

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 calculations with no evidence of an independent oversight, review, or approval process to ensure the accuracy of the calculation performed.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The lack of controls over the Monthly Sponsor Claims (claims for reimbursement) and the Annual Financial Report was isolated to fiscal year 2016-2017. The lack of controls over the program income, School Food Authority (SFA) Verification Collection Reports, and paid lunch equity calculations was a systemic issue, 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). . . ."

Cause

Management of the School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Program Income, Reporting, Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. 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.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2018-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.556, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
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 Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain the appropriate time and effort reporting for all employees who worked on the federal award. The balances and financial transactions of the School Lunch fund related to the Child Nutrition Cluster were accounted for in the elementary school extracurricular account (ECA) records. The Elementary ECA Treasurer was responsible for maintaining these records. Beginning in May 2017, the School Corporation allocated one-half of the Elementary ECA Treasurer's salary to the School Lunch fund for the administrative functions of processing of claims and other financial duties related to the School Lunch fund. However, adequate time records were not maintained to support the time charged to the federal award.

Context

The noncompliance began in May 2017 and was a systemic issue during fiscal year 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 200.430(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:

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs in the amount of \$13,232 were identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 2018-003

Subject: School Breakfast Program, National School Lunch Program - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

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 had not designed or implemented adequate policies or procedures to ensure that the net cash resources of the nonprofit food service did not exceed three months' average expenditures.

The School Corporation did not comply with the Cash Management requirement that they limit the net cash balance resources of the nonprofit food service to three months' average expenditures. A written plan to reduce the nonprofit food service's net cash resources was prepared in June 2018 by the School Corporation, but the plan was never submitted to the Indiana Department of Education for approval.

Context

The noncompliance was a systemic issue throughout the audit period. The net cash resources in the School Lunch fund, which accounted for the financial activity of the nonprofit food service, exceeded the three months' average expenditures for 20 of the 24 months during 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). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . ."

(iv) Limit its net cash resource to an amount that does not exceed three month average expenditure for its nonprofit school food service of such other amount as may be approved by the State agency; . . ."

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or 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 establish controls to ensure compliance with 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 2018-004

Subject: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children - Equipment and Real Property Management

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

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 Equipment and Real Property Management compliance requirement.

The School Corporation did not have controls in place to ensure that assets purchased for the food service program were properly inventoried and included in the capital asset listing. The School Corporation's Fixed Assets Policy established a \$2,500 threshold for capitalization of assets, but the capital asset listing for food service program assets did not include three equipment purchases that had a purchase price of \$2,500 or greater during the audit period. In addition, the capital asset listing did not always contain the serial number or other identification number, the source of funding, the titleholder, the acquisition date and cost, and if applicable, disposition data including the date of disposition and sales price.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation did not request approval from the Indiana Department of Education prior to making purchases greater than \$5,000.

Context

The lack of controls and noncompliance were systemic problems, 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 200.313(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. . . ."

2 CFR 200.313(a) states in part:

". . . 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 of the School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. The failure to comply with the grant agreement and the Equipment and Real Property Management 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 an effective system of internal controls to ensure compliance with the grant agreement and the Equipment and Real Property 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 2018-005

Subject: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation had not established effective controls to ensure proper procurement methods and procedures were followed.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation did not have documented procurement procedures as required by 2 CFR 200.318 for fiscal year 2016-2017. The School Corporation established a procurement policy for 2017-2018, but the stated procedures were not always followed. Procurements from three vendors during 2016-2017 and four vendors during 2017-2018 fell within the small purchase procedures requirements, but there was no evidence that an adequate number of quotations were obtained or documentation as to the rationale to limit competition in those cases where competition was limited and that the limitation was justified.

Suspension and Debarment

The School Corporation utilized group purchasing organizations for purchases of food and dairy commodities. These organizations handled the bidding process for the School Corporation and were responsible for verifying the suspended or debarred status of the vendors selected. However, the School Corporation did not have internal controls in place to ensure the suspension and debarment requirements were followed for vendors with which it entered into covered transactions. There was no evidence that the School Corporation reviewed the vendor selections to substantiate that the group purchasing organizations actually performed the verifications of the suspended or debarred status of the vendors.

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(a) states: "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."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

- (a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(b) 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.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

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 whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the 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 grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or 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 establish controls and follow the School Corporation's documented procurement policy 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.

ORLEANS COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

Gary McClintic, Superintendent
Theresa Robbins, Treasurer
Bridget Knight, Deputy
Chelsie Atchison, Secretary



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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible For Corrective Action: Theresa Robbins and Dorothy Dorsett
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Regarding Program Income, Fund 8400 will be set up for the upcoming school year 2019-2020 and utilized for the prepaid accounts. All deposits will be placed in this Fund 8400 until a meal is charged, at which point this becomes program income and can be transferred over to Fund 800. Procedures will be put into place to ensure the correct transfer and reporting of federal income. Regarding Verification of Free and Reduced Price Applications, oversight and a review by a second individual over these applications is to be implemented. Regarding both the Monthly Sponsor Claims and the Annual Financial Report, the control issue was resolved for the 2017-2018 year. Regarding Paid Lunch Equity, a second employee will be responsible for reviewing the calculation, and both employees will need to provide a signature on this document.

Anticipated Completion Date: Summer of 2019

FINDING 2018-002

Contact Person Responsible For Corrective Action: Theresa Robbins
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: At the beginning of April, the Elementary ECA Treasurer began to track hours each day as either pertaining to cafeteria or to all other work. The Elementary ECA Treasurer is using a Time and Effort Log to record these hours. At the end of May, this information will be collected by the Corporation Treasurer to provide a study of her time in order to either support the 50% allocation of her time to cafeteria or to correct the percentage allocated to better reflect the study's results.

Anticipated Completion Date: June 1, 2019

ORLEANS COMMUNITY SCHOOLS
OFFICE OF THE SUPERINTENDENT

Gary McClintic, Superintendent
Theresa Robbins, Treasurer
Bridget Knight, Deputy
Chelsie Atchison, Secretary



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CORRECTIVE ACTION PLAN (Continued)

FINDING 2018-003

Contact Person Responsible For Corrective Action: Theresa Robbins
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A spreadsheet has been developed to monitor the three months average expenditures, and will continue to be updated and reviewed on a monthly basis by both the Corporation Treasurer and the Superintendent and Board. Costs will continue to be reviewed to see if applicable to the Cafeteria Fund. In addition, a written plan needs to be updated from the previous year and then submitted to the Indiana Department of Education for approval.

Anticipated Completion Date: May 31, 2019

FINDING 2018-004

Contact Person Responsible For Corrective Action: Theresa Robbins and Dorothy Dorsett
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The three equipment purchases discovered during the audit period will be added to the capital asset listing for the food service program. The capital asset listing will also need to be reviewed to ensure that all relevant information (such as serial number or a tag number) is contained on there. And in addition, the Corporation Treasurer and Food Service Director will coordinate who needs to request approval from the Indiana Department of Education prior to making purchases greater than \$5,000.

Anticipated Completion Date: Summer of 2019

ORLEANS COMMUNITY SCHOOLS
OFFICE OF THE SUPERINTENDENT

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CORRECTIVE ACTION PLAN (Continued)

FINDING 2018-005

Contact Person Responsible For Corrective Action: Theresa Robbins and Dorothy Dorsett
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: There is a procurement policy but the procedures need to be reviewed and followed more closely. Within the small purchase procedures requirements, an adequate number of quotations will need to be obtained or document the rationale as to the limited number of quotes. In relation to suspension and debarment (for signed contracts over \$25,000), at the beginning of each school year either the Corporation Treasurer or the Food Service Director need to verify the status of vendors and document that this has been completed.

Anticipated Completion Date: Summer of 2019



Signature

Superintendent

Title

4-17-19

Date

ORLEANS COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

PREPAID SCHOOL MEAL ACCOUNTS

Prepaid lunch receipts were not accounted for in a Prepaid Lunch Fund, fund 8400, a clearing account. Receipts were instead accounted for in the School Lunch fund, fund 800. The entire amount of prepaid lunch receipts was recognized in the School Lunch fund at the time of the receipt as revenue and not as applied from the clearing account as students consumed their individual prepaid account balances. As a results, the subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis as required.

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)

ORLEANS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 22, 2019, with Theresa Robbins, Treasurer; Gary McClintic, Superintendent of Schools; and Carl Anderson, President of the School Board.