

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

UNION SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2015 to June 30, 2018



FILED
07/12/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Taylor Hayne	07-01-15 to 03-13-16
	Carol Weaver	03-14-16 to 04-30-17
	Rebecca Upchurch	05-01-17 to 07-31-18
	Abigail Lindsey	08-01-18 to 06-30-19
Superintendent of Schools	Allen Hayne	07-01-15 to 07-31-18
	Michael Huber	08-01-18 to 06-30-19
President of the School Board	Christa Ellis	07-01-15 to 12-31-15
	Christina Ogden	01-01-16 to 06-30-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE UNION SCHOOL CORPORATION, RANDOLPH COUNTY, INDIANA

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

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

June 6, 2019

UNION SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report B46549, entitled *ANNUAL FINANCIAL REPORT*.

The School Corporation's Annual Financial Report (AFR) for fiscal years 2016-2017 and 2017-2018 was not filed electronically until September 14, 2017, and September 6, 2018, respectively, which was 16 and 8 days past the due date. The AFR for 2015-2016 has not been filed as of the conclusion of field work.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B46549, entitled *PREPAID SCHOOL LUNCH*.

Receipts for prepaid school meal deposits were not recorded in Fund 8400 - Prepaid Food, a clearing account, but were instead accounted for in the School Lunch fund 800. The School Corporation had not established fund 8400 to account for advance deposits made to individual student and adult prepaid food accounts. As a result, the entire amount of prepaid school meal deposits was recognized in the School Lunch fund 800 at the time of receipt as revenue and not as applied from the clearing account as students spent their individual account balances.

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)

ADOPTION OF INTERNAL CONTROL STANDARDS

The School Corporation had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

UNION SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

School Corporation employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the School Corporation, had not received training over the minimum internal control standards that was developed or approved by the Indiana State Board of Accounts.

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

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

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

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The School Corporation improperly certified on the Indiana Gateway for Government Units financial reporting system that an internal control policy had been adopted and the training had been completed; however, these certifications were made incorrectly.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Report B46549, entitled *OVERDRAWN CASH BALANCES*.

UNION SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

The presented financial statement included the following funds with overdrawn cash balances at June 30, 2016, 2017, and 2018:

Fund	June 30, 2016	June 30, 2017	June 30, 2018
General	\$ 199,294	\$ 600,303	\$ N/A
Debt Service	N/A	159	N/A
Capital Projects	N/A	5,552	10,618
School Lunch	21,241	38,348	60,384
Title I 2015-2016	N/A	82,913	82,913
Payroll Withholdings	N/A	76,565	89,966

N/A - Not applicable.

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)

INTERNAL CONTROLS

The School Corporation had not separated incompatible activities, such as an oversight, review, or approval process to prevent, or detect and correct, misstatements within the financial reporting system in relation to cash and investments and receipts. The Business Manager performs the monthly bank reconciliations without any additional oversight. Receipts received via an Electronic Funds Transfer are recorded solely by the Business Manager without a segregated review process in place.

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. . . ."

Union School Corporation

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Michael Huber - Superintendent
Ryan Chiddister - 7-12 Principal
Jamie Harshman - Union K-6 Principal
Abbie Lindsey - Business Manager
Lori Wymer - Deputy Treasurer
Jeff Murray - Technology Director
Marvin Schwartz - Transportation Director

June 17, 2019

OFFICIAL RESPONSE State Board of Accounts

Official response to finds in 2015-2018 audit.

Annual Financial Reports – Since Mr. Huber and Mrs. Lindsey have assumed their current roles, all Annual Financial Reports have been submitted on time.

Prepaid School Meal Accounts – Mrs. Lindsey has already taken steps to fix this issue for the 2019-2020 school year.

Overdrawn Cash Balances – USC School Board elected to pay the overdrawn balances in December of 2018 with the exception of a few grant accounts

Sincerely,



Michael Huber
Superintendent
Union School Corp.

UNION SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 6, 2019, with Abigail Lindsey, Treasurer; Michael Huber, Superintendent of Schools; and Christa Ellis, Vice President of the School Board.