

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EAST PORTER COUNTY SCHOOL CORPORATION

PORTER COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
12/12/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa Rosinko	07-01-17 to 03-15-19
	(Vacant)	03-16-19 to 03-31-19
	Wendy Kulczyk	04-01-19 to 06-30-20
Superintendent of Schools	Dr. Rodney Gardin	07-01-17 to 06-30-18
	Dr. Robert Boyd	07-01-18 to 11-30-18
	Dr. Aaron Case	12-01-18 to 06-30-20
President of the School Board	Frank Dessuit	07-01-17 to 12-31-17
	Richard McSparin	01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EAST PORTER COUNTY SCHOOL
CORPORATION, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the East Porter County School Corporation (School Corporation), for the period from July 1, 2017 to June 30, 2019. 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 Statement Audit Report of the School Corporation, which provides our opinion on the School Corporation's financial statement. 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

November 26, 2019

EAST PORTER COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented for audit included the Retirement/Severance Bond Debt Service fund with an overdrawn cash balance of \$25,760 at June 30, 2019.

The financial statement presented for audit also included the School Lunch fund with overdrawn cash balances of \$64,396 and \$120,959 at June 30, 2018 and 2019, respectively.

Criteria

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)

PREPAID SCHOOL MEAL ACCOUNTS

Monthly reconciliations of the students' individual meal account balances to the Prepaid School Meal Accounts fund (clearing account) were not performed. The School Corporation was unable to provide a listing of student balances at June 30, 2019, that should have reconciled to the Prepaid School Meal Accounts fund cash balance of \$23,774.

Criteria

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



December 5, 2019

State Board of Accounts
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Indianapolis, Indiana 46204-2765

Official Response to Audit Results and Comments

OVERDRAWN CASH BALANCES

Condition and Context: The financial statement presented for audit included the Retirement/Severance Bond Debt Service fund with an over drawn cash balance of \$25,760 at June 30, 2019.

Official Response: The negative cash balance in the Retirement/Severance Bond Debt Service Fund was due to a timing difference between the final debt service payment due to The Bank of New York on January 5th, 2019 and paid on January 3rd, 2019 and the property and miscellaneous tax distributions in June and December of 2019. Property tax distributions of \$26,638.71 were receipted to the Retirement/Severance Bond Debt Service Fund on June 7, 2019. The remaining local distributions will be receipted to the fund when the school district receives the December 2019 property and miscellaneous tax distributions from Porter County. The local tax distribution will eliminate the negative cash balance.

Condition and Context: The financial statement presented for audit also included the School Lunch fund with overdrawn cash balances of \$64,396 and \$120,959 at June 30, 2018 and 2019, respectively.

Official Response: The school district terminated an agreement with a Food Service Management Company to reduce administrative and product costs. The school district hired a Food Service Director with experience in reducing expenses and increasing participation in the Child Nutrition Program. The district is closely monitoring the cash balance, revenues, and expenditures of the School Lunch Fund and is working to eliminate the cash deficit.

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context: Monthly reconciliations of the students' individual meal account balances to the Prepaid School Meal Accounts fund (clearing account) were not performed. The School Corporation was unable to provide a listing of student balances at June 30, 2019 that should have reconciled to the Prepaid School Meal Accounts fund cash balance of \$23,774.

Official Response: The District has experienced a significant turnover in employees responsible for and that had access to the reports and documentation required to support the reconciliation of the Prepaid School Meal Fund. Food Service Staff are completing training provided by the Student Management/Point of Sale System, Skyward. The training includes understanding how to produce reports to support the individual student accounts. The Food Service Director, Director of Business Affairs, and Deputy Treasurer will reconcile monthly the Prepaid School Meal Fund with the student's individual accounts and retain the supporting documentation for review.

Respectively,

Wendy Kulczyk
Director of Business Affairs and HR
East Porter County School Corporation

EAST PORTER COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2019, with Wendy Kulczyk, Treasurer; Dr. Aaron Case, Superintendent of Schools; Richard McSparin, President of the School Board; and Lisa Thompson, Deputy Treasurer.