

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RANDOLPH SOUTHERN SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2015 to June 30, 2018



FILED
12/17/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Late Submission of Annual Financial Report	4
School Lunch Program - Financial Records	4-5
Official Response	6-7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Kosisko	05-28-13 to 12-31-19
Superintendent of Schools	Donnie Bowsman	07-11-11 to 06-30-19
President of the School Board	Keith Hart	01-01-15 to 12-31-15
	Patricia Tillson	01-01-16 to 12-31-16
	Janet Caudle	01-01-17 to 12-31-17
	Michael Miller	01-01-18 to 12-31-18
	Eric Retter	01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

This report is supplemental to our audit report of the Randolph Southern 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

October 30, 2019

RANDOLPH SOUTHERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

The School Corporation's Annual Financial Report for fiscal years 2015-2016 and 2017-2018 was not filed electronically until September 2, 2016, and October 12, 2018, respectively, which was 4 and 44 days past the due date.

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](#)."

SCHOOL LUNCH PROGRAM - FINANCIAL RECORDS

The School Corporation operated a separate School Lunch extracurricular account (ECA) for food service activities. This included all food service activities for all the individual schools in the School Corporation.

The financial records for the School Lunch ECA were maintained by the ECA Treasurer at the Jr/Sr High School. Each school collected money from students for breakfast and lunch and then gave the money to the ECA Treasurer at the Jr/Sr High School who deposited the money into the School Lunch ECA bank account and recorded the collections into the School Lunch ECA records. The Food Service Director submitted requests for reimbursements for federal lunch and breakfast programs. When those reimbursements were received by the School Corporation, they were receipted into a clearing account on the School Corporation's records and then disbursed to the School Lunch ECA. Disbursements related to food service activities were processed for payment and recorded into the School Lunch ECA records by the ECA Treasurer at the Jr/Sr High School.

At the end of each semester, the Food Service office provided the School Corporation Treasurer with financial information related to the School Lunch programs to incorporate into the School Corporation's records prior to submitting the required financial information to the Indiana Department of Education.

A separate accounting of prepaid meal accounts was not maintained. The School Lunch ECA financial records included prepaid monies, as well as regular school lunch monies. A listing of prepaid accounts balances at June 30, 2018, was not provided for audit. Therefore, the amount of prepaid cash included in the School Lunch cash balance reported could not be determined.

RANDOLPH SOUTHERN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-41-2-4 states:

"A governing body in operating a school lunch program under [IC 20-26-5-4\(a\)\(11\)](#) may use either of the following accounting methods:

- (1) It may supervise and control the program through the school corporation account, establishing a school lunch fund.
- (2) It may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with [IC 20-41-1](#)."

IC 20-26-4-1(d) concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform compliance Guidelines Manual for Extracurricular Accounts, Chapter 6)

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)

Randolph Southern

Melissa Kosisko
Treasurer

Donnie
Bowsman
Superintendent

Shawntel Baker
Deputy Treasurer

M. Nell Girton
*Administrative
Assistant*

SCHOOL CORPORATION STRIVES FOR EDUCATIONAL EXCELLENCE

TO: Indiana State Board of Accounts
FROM: Mr. Donnie Bowsman, Superintendent
Mrs. Melissa Kosisko, Treasurer
DATE: November 5, 2019
SUBJECT: Official Response to Audit from July 1, 2015 to June 30, 2018

This letter is a response to Audit Results and Comments made for the audit conducted on Randolph Southern School Corporation from July 1, 2015 to June 30, 2018.

Response: Late Submission of Annual Financial Report

It was noted that the Annual Financial Report for FY16 and FY18 were 4 days and 44 days past due respectively. Central Office is now utilizing Google calendar and a staff responsibility report to serve as a visual reminder of due dates and the persons responsible for submission.

Response: School Lunch Program-Financial Records

It was noted that the school corporation operated a separate School Lunch extracurricular account for food services.

Per Indiana Code 20-41-2-4:

“A governing body in operating a school lunch program under IC 20-26-5-4(a)(11) may use either of the following accounting methods:

- (1) It may supervise and control the program through the school corporation account establishing a school lunch fund.
- (2) It may cause the program to be operated by the individual schools of the school corporation through the school corporation’s extracurricular account or accounts in accordance with IC 20-41-1”

Respectively, we believe the school corporation has operated within the parameters of the law per number (2) listed above which provides for the program to be operated through the Cafeteria account within the high school extracurricular accounts. To the best of my knowledge, this is the first written indication of a problem existing with the current financial operations, processing, and accounting for the cafeteria account. Previous audits conducted dated back to the 1990’s, and with two former Superintendents, do not reflect any problems within these cafeteria accounting and operation procedures.

All federal reimbursements are receipted to corporation accounts and promptly distributed to the cafeteria accounts, whereby, they are utilized to fund operating costs including payroll, benefits, food purchases, and equipment.

Vendors submit invoices to the Cafeteria Director for purchases. The Cafeteria Director submits these invoices to the High School Treasurer. The High School Treasurer creates an Accounts Payable Voucher (APV) within the Cafeteria account. APV's are reviewed by the High School Principal for approval of payment. The High School Treasurer processes the payment to the vendor.

Payroll distributions, deductions, and benefits are performed by the corporation every two weeks. The corporation invoices the Cafeteria account for reimbursement of those expenditures and the high school issues a check to the corporation accordingly.

Financial reports of expenditures and revenues are provided for review and oversight to the superintendent, school board, and treasurer at monthly board meetings.

The information and recommendations provided by the State Board of Accounts will require reconfiguration of processes, training, additional staffing in central office, and less staffing in extracurricular accounts. Additionally, it was suggested that this change not occur until June 30, 2020 due to closing extracurricular accounts, opening new bank accounts, and transferring funds aligning with fiscal years. Therefore, the corporation will formulate a procedure and timeline to incorporate all Cafeteria account funds and processes to the corporation accounts. The recommended changes will be shared with the school board once the final audit has been issued in December 2019.

It was noted that the prepaid funds were not being separated from the student lunch funds. I have advised the Cafeteria Director to separate "prepaid" funds from school lunch funds.

Thank you,



Donnie Bowsman, Superintendent



Melissa Kosisko, Treasurer

RANDOLPH SOUTHERN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2019, with Melissa Kosisko, Treasurer; Donnie Bowsman, Superintendent of Schools; Thomas McFarland, Secretary of the School Board; and Shawntel Baker, Deputy Treasurer.