

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLOVERDALE COMMUNITY SCHOOL CORPORATION

PUTNAM COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED

01/03/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mendy Shrout	07-01-17 to 06-30-20
Superintendent of Schools	Greg Linton	07-01-17 to 06-30-20
President of the School Board	Vivian Whitaker	01-01-17 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CLOVERDALE COMMUNITY SCHOOL
CORPORATION, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the Cloverdale Community 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 25, 2019

CLOVERDALE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B52151.

Condition and Context

The School Corporation did not ensure that all required personnel received the training concerning the adopted internal control standards. All certified and administrative personnel had received the training, but noncertified personnel had not received the training.

Criteria

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."

PREPAID SCHOOL LUNCH CLEARING FUND (8400) RECONCILIATION

Condition and Context

The School Corporation's Prepaid Food fund (fund number 8400) balance at June 30, 2018, and June 30, 2019, did not reconcile to the subsidiary records of students accounts. The Prepaid Food fund was greater than the subsidiary records of student accounts by \$39,433 and \$7,709, respectively.

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)

CLOVERDALE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

BAD DEBT/UNCOLLECTIBLE ACCOUNTS AND MEAL CHARGE POLICY

Condition and Context

The School Corporation was not in compliance with its meal charge policy that significant negative lunch account balances shall not be permitted. A significant negative lunch account balance is any balance owed in excess of \$10. At the end of fiscal year 2017-2018, negative lunch account balances in excess of \$10 totaled \$3,223. This total included 102 account balances for an average negative balance of \$31.60. At the end of 2018-2019, negative lunch account balances in excess of \$10 totaled \$1,128. This total included 33 account balances for an average negative balance of \$34.17.

Criteria

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

On July 8, 2016, the USDA issued Memo 46-2016 providing requirements and guidance for school food authorities (SFA) to institute and communicate a meal charge policy. The memo states, "Because all students in participating schools may receive reimbursable meals, all SFAs must have a policy in place for children who are participating at the reduced or paid rate, but either do not have money in their account or in hand to cover the cost of the meal at the time of service." It is required that students and their parents or guardians must be informed about how students who pay the full or reduced price cost of a reimbursable meal are impacted by having insufficient funds on hand or in their account to purchase a meal. The memo includes a deadline of July 1, 2017 for all SFAs to have established and communicated their written meal charge policy. . . .

USDA issued Memo 47-2016 defines "bad debt" as debts which have been determined to be uncollectable. It goes on to say once amounts are classified as bad debts that they must be written off and taken as an operating loss. 2 CFR 200.426 states, "Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable." Therefore, School Nutrition Program grant funds cannot be used cover the costs of writing off bad debt. The operating loss must be absorbed by using non-Federal funds. Transfers to the Prepaid School Lunch fund (8400) to cover bad debts may be made from the General fund (100), special funding from State or Local grants, funding received from school or community organizations, or other donations. (The School Bulletin and Uniform Compliance Guidelines, December 2016)

CLOVERDALE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 25, 2019, with Mendy Shrout, Treasurer; Vivian Whitaker, President of the School Board; and Greg Linton, Superintendent of Schools.