

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RUSH COUNTY SCHOOLS

RUSH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
02/12/2020



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Prepaid School Meal Accounts.....	4
Internal Controls over Financial Transactions and Reporting .....	4-5
Average Daily Membership .....	5
Official Response .....	6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bryce Welsh Deborah M. Pavey	07-01-17 to 08-31-19 09-01-19 to 06-30-20
Superintendent of Schools	Matt Vance	07-01-17 to 06-30-21
President of the School Board	Dr. Steve Sickbert Tammy Jackman Michael Beard Doug Marlow	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

This report is supplemental to our audit report of the Rush County Schools (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/](http://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

January 21, 2020

RUSH COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**PREPAID SCHOOL MEAL ACCOUNTS**

The same comment appeared in a Management Letter addressed to the officials of the School Corporation for the audit period ending June 30, 2017.

*Condition and Context*

Prepaid meal receipts were not placed in Fund 8400 Prepaid School Lunch Accounts, a clearing account, but were instead accounted for in the School Lunch Fund, Fund 800. All prepaid meal receipts were recognized as revenue in the School Lunch fund at the time of receipt, and not applied from the clearing account after the students charged meals. As a result, the subsidiary records of individual meal accounts by student could not be reconciled to the clearing account on a routine basis as required.

*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)

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Reports B40046, entitled *Finding 2011-1 - Internal Controls over Financial Transactions and Reporting*; B43370, entitled *Finding 2013-001 - Internal Controls over Financial Transactions and Reporting*; B49328, entitled *Finding 2015-001 - Financial Transactions and Reporting*; and B52367, entitled *Finding 2017-002 - Financial Transactions and Reporting*.

*Condition and Context*

The School Corporation did not have a proper system of internal controls related to payroll disbursements and cash and investments.

*Payroll Disbursements*

The Deputy Treasurer entered payroll disbursement information into the accounting system. There were no documented controls in place, such as an oversight, review, or approval process, to ensure the accuracy of the information entered.

RUSH COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Cash and Investments*

The Treasurer performed the monthly bank reconciliations. Contained in the monthly bank reconciliation files, were cleared transaction reports, outstanding transaction reports, and the bank statements. The bank statements were initialed by the Deputy Treasurer. However, the Deputy Treasurer was not provided with a documented comparison between the adjusted bank balances and the funds ledger balance, which would have been needed in order for the reviewer to have detected errors.

*Criteria*

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. . . ."

**AVERAGE DAILY MEMBERSHIP**

*Condition and Context*

Written certifications of Average Daily Membership (ADM) by building level officials was not provided for audit.

*Criteria*

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)



# RUSH COUNTY SCHOOLS

---

---

Matt Vance, Superintendent  
330 W. 8<sup>th</sup> Street, Rushville, IN 46173  
765 932-4186

## OFFICIAL RESPONSE

January 30, 2020

### PREPAID SCHOOL MEAL ACCOUNTS

Rush County Schools has now set up a clearing account with the fund number 8400 Prepaid School Lunch Accounts, a clearing account. The schools will now send all lunch monies collected to corporation office and it will be receipted into the Fund 8400. After students have charged meals, funds will be disbursed from Fund 8400 and receipted into Fund 800. On a monthly basis the Fund 8400 will be reconciled with the individual student meal accounts . The anticipated completion date is March 2020 or before.

### INTERNAL CONTROLS

#### Payroll Disbursements:

All employees in the accounting department will enter payroll disbursement information into the accounting system. When entry is complete, the Treasurer will check the trial journal and distribution report. The Deputy Treasurer will check the deduction report. Both will sign off that they are correct before payroll is processed. A Detailed Payroll Claim Listing will be presented to the Board monthly.

#### Cash and Investments:

The payroll clerk will process the deposit and prepare the deposit slip. The Treasurer or Deputy Treasurer will sign off on the deposit before it is taken to the bank. The monies are deposited by the payroll clerk and subsequently receipted in the accounting software by the Deputy Treasurer. Monthly the Treasurer will present to the Deputy Treasurer the Bank Statement, the Komputrol Bank Statement, and the Fund Report at the end of each month. After verifying that all balance, the Deputy Treasurer will sign off on all three documents. The anticipated completion date is March 2020 or before.

### AVERAGE DAILY MEMBERSHIP (ADM)

Rush County Schools' building level principals will provide written certification to verify all ADM reporting. This certification will include a sign-off sheet, indicating that the student data retrieved from the Student Information System (currently Harmony) and submitted to the Indiana Department of Education is accurate. A printout of student information for the ADM report, as well as any summary reports, will accompany the sign-off sheet. Copies of these items will be retained for public inspection and audit at both the school building, by the building principal, and at the corporation office.

Deborah M. Pavey

RUSH COUNTY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on January 21, 2020, with Deborah M. Pavey, Treasurer; Matt Vance, Superintendent of Schools; Michael Beard, School Board member; and Dr. Steve Sickbert, School Board member.