

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH BEND COMMUNITY SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED

02/24/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Audit Results and Comments:	
Chart of Accounts Requirements.....	4
Financial Transactions and Reporting	4-5
Curricular Materials Rental	5
Prepaid School Meal Accounts.....	5-6
Public Records Retention - Payroll Records	6-7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Katherine Rueff (Turk) Jenise Palmer Kareemah N. Fowler	07-01-17 to 07-06-18 10-16-18 to 08-31-19 09-01-19 to 06-30-20
Superintendent of Schools	Kenneth Spells Dr. C. Todd Cummings	07-01-17 to 06-30-19 07-01-19 to 06-30-20
President of the School Board	Stanley F. Wruble, III John Anella	01-01-17 to 12-31-18 01-01-19 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH BEND COMMUNITY SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the South Bend 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 opinions 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

February 6, 2020

SOUTH BEND COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CHART OF ACCOUNT REQUIREMENTS

Condition and Context

At June 30, 2019, the School Corporation had five funds with cash and investment balances totaling \$322,237 that had not been closed out as required by IC 20-40-18-12(a). The five funds were: SAFE School Haven, Early Intervention Grant, Instructional Support, Technology Grants, and Construction, Remodeling and Equipping Buildings.

Criteria

Indiana Code 36-1-8-5 provides whenever the purpose of a fund has been fulfilled, then the balance of a dormant fund may be transferred to any school corporation fund. IC 36-1-8-5 applies to general and special tax funds, but SBOA opinion has extended the authority to all funds, unless guidance is provided in statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not established a system of internal controls or separated incompatible activities related to cash and investments and payroll disbursements.

Cash and Investments

The School Corporation did not have effective controls in place to ensure that reconciliations of bank balances to the reported cash and investments balances were performed after key employees left employment. The Accounts Payable, Payroll, Shared Secured, and Operating bank accounts have not been reconciled since May 2019.

The School Corporation did not have effective controls in place to ensure that reconciliations of the Prepaid School Lunch Account were performed on a monthly basis.

Payroll Disbursements

The School Corporation did not have effective controls in place to ensure that the final payroll calculations were properly recorded and reported in the financial statement. There was no review or approval process.

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:

SOUTH BEND COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CURRICULAR MATERIALS RENTAL

Condition and Context

The School Corporation did not follow its own adopted policy in pursuing delinquent accounts for curricular materials rental. At the end of fiscal year 2018-2019, no efforts were made to collect overdue or past due curricular materials rental fees.

Criteria

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

Collections for prepaid school meals were not accounted for properly and consistently in the School Corporation records. Prepayments that were collected at each school were receipted into the School Lunch fund instead of the Cafeteria Prepaid Meals fund. Prepayments that were collected electronically (School Corporation's Website) were receipted into the Cafeteria Prepaid Meals fund, but transfers to the School Lunch fund were not made for subsequent sales of meals.

The School Corporation did not reconcile the Cafeteria Prepaid Meals fund to the individual students' accounts.

SOUTH BEND COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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 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)

PUBLIC RECORDS RETENTION - PAYROLL RECORDS

Condition and Context

The School Corporation did not retain time records for audit for four employees tested. The gross amount paid could not be verified.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

1. The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
2. The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

2. employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

SOUTH BEND COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SOUTH BEND COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 6, 2020, with Kareemah N. Fowler, Treasurer; Jenise Palmer, former Treasurer; John Anella, President of the School Board; Dr. C. Todd Cummings, Superintendent of Schools; and Leslie Wesley, School Board member.