

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
GREATER JASPER CONSOLIDATED SCHOOLS
DUBOIS 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:	
Internal Controls	4
Prepaid School Meal Accounts.....	5
Penalties, Interest, and Other Charges	5-6
Exit Conference.....	7

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Monica Young	01-01-17 to 12-31-20
Superintendent of Schools	Dr. Tracy Lorey	07-01-17 to 06-30-20
President of the School Board	Bernard J. Vogler	01-01-17 to 12-31-20



STATE OF INDIANA
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TO: THE OFFICIALS OF THE GREATER JASPER CONSOLIDATED
SCHOOLS, DUBOIS COUNTY, INDIANA

This report is supplemental to our audit report of the Greater Jasper Consolidated 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 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 12, 2020

GREATER JASPER CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

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 an effective internal control system that separated incompatible activities related to receipts and payroll disbursements.

Receipts

There was no evidence of internal controls to ensure that the School Lunch fund receipts and Curricular Materials Rental receipts recorded in the extracurricular accounts ledger were accurate. Receipts were recorded from the bank deposit slips with no supporting documentation. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors in a timely manner.

Payroll Disbursements

The Payroll Deputy/Deputy Treasurer was responsible for entering the employee pay rates and contract amounts into the payroll system; calculating non-certified payroll; tracking of sick/personal time; final processing prior to submitting payroll for direct deposit; and calculation and timely remittance of payroll taxes. There was no evidence of an oversight, review, or approval process to prevent, or detect and correct, errors in a timely manner and prevent assessment of penalties, interest, and other charges.

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. . . ."

GREATER JASPER CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

PREPAID SCHOOL MEAL ACCOUNTS

The same comment also appeared in prior Report B50292.

Condition and Context

Prepaid school meal accounts for each school are maintained as sub-accounts under each schools' School Lunch fund. Beginning and ending balances for each schools' prepaid sub-account could not be reconciled to the detailed "List of Patrons With A Positive Balance" and "List of Patrons With A Negative Balance" reports for student accounts with a difference of \$1,448 being noted on June 30, 2019.

The transfers of funds from the prepaid sub-accounts to the paid meal accounts were recorded in the School Lunch fund ledger incorrectly as negative receipts. The transfer of funds should have been recorded as disbursements in the prepaid sub-accounts and receipts to the paid meal accounts.

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. 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)

PENALTIES, INTEREST, AND OTHER CHARGES

Condition and Context

During 2018, the School Corporation paid penalties, interest, and other charges totaling \$5,421 to the United States Treasury and the Indiana Department of Revenue as a result of not submitting accurate reports and remitting payroll taxes in a timely manner.

The School Corporation paid penalties, interest, and other charges during the audit period as follows:

Payee	Penalty	Interest	Other Charges	Totals
United States Treasury	\$ 54	\$ 3	\$ 11	\$ 68
Indiana Department of Revenue	<u>5,174</u>	<u>179</u>	<u>-</u>	<u>5,353</u>
Totals	<u>\$ 5,228</u>	<u>\$ 182</u>	<u>\$ 11</u>	<u>\$ 5,421</u>

GREATER JASPER CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

GREATER JASPER CONSOLIDATED SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2020, with Dr. Tracy Lorey, Superintendent of Schools; Monica Young, Treasurer; Jacqueline Howard, Payroll Clerk/Deputy Treasurer; Katie Knies, Food Service Director; Bernard J. Vogler, President of the School Board; Ken Schnaus, Vice President of the School Board; and Greg Eckerle, School Board member.