

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WEST CLARK COMMUNITY SCHOOLS

CLARK COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
02/27/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	R. Mac Dyer	01-01-17 to 08-03-18
	(Vacant)	08-04-18 to 05-31-19
	Dr. Thomas R. Brillhart	06-01-19 to 12-31-20
Deputy Treasurer	Patty Kelley (acting Treasurer)	08-04-18 to 05-31-19
Superintendent of Schools	Chad Schenck	01-01-17 to 12-13-17
	John Reed (interim)	12-14-17 to 07-31-18
	Clemencia Perez-Lloyd (interim)	08-01-18 to 09-30-19
	Clemencia Perez-Lloyd	10-01-19 to 12-31-20
President of the School Board	Joe Basham	01-01-17 to 12-31-17
	Douglas Coffman	01-01-18 to 12-31-19
	Myra W. Powell	01-01-20 to 12-31-20



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WEST CLARK COMMUNITY SCHOOLS, CLARK COUNTY, INDIANA

This report is supplemental to our audit report of the West Clark Community 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 20, 2020

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in the prior Report B51824, entitled *FINDING 2017-001*.

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties as the School Corporation had not separated compatible activities related to receipts.

During the audit period, the Deputy Treasurer prepared daily deposits and prepared listing of receipts for posting into the ledger. No evidence was presented for audit that a second review of the receipts was performed prior to depositing and posting into the ledger. The lack of internal controls were systemic issues, which occurred throughout the audit period.

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. . . ."

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B51824.

Condition and Context

The School Corporation approved Internal Control Standards and Procedures (Policy 6111), which states in part:

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

" . . . The Corporation shall . . . G. provide, upon employment and periodically thereafter, training concerning the internal control standards and procedures established for the Corporation for any personnel whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Federal government, State government, the Corporation, or other governmental entities. . . ."

Although training was provided to some personnel, such as the Treasurer, Deputy Treasurer, ECA Treasurers, and Principals at all eight schools, and Cashiers and Cafeteria Managers at all schools, the School Corporation failed to ensure that all personnel involved in receiving, processing, depositing, disbursing, or having access to School Corporation funds 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."

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

COLLECTION OF AMOUNTS DUE

Condition and Context

The student management software program, which keeps track of balances of unpaid student textbook rental fees owed, indicated a balance of \$997,941 of uncollected textbook rental fees as of December 19, 2019.

An undetermined amount of the outstanding textbook rental fees owed is from curricular material fees billed to students qualifying for free and reduced meals. By qualifying for textbook assistance, the School Corporation may request, but cannot require the parent or guardian to pay the unpaid balance for these students.

During the audit period, the School Corporation had not taken steps to identify any of the amount owed as being uncollectible and writing off the uncollectible amount per the School Board policy.

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)

"If efforts to collect an amount due the Corporation have not been successful and, in the opinion of the Corporation Treasurer and/or Associate Superintendent (hereafter 'the staff'), further efforts to collect the amount due are unlikely to be successful, the staff shall submit a recommendation that the Board find that the debt is uncollectible. This recommendation shall be supported by a brief statement that summarizes the efforts to collect the debt to date and the reason(s) why further efforts to collect the debt are not likely to be successful. The Board shall act upon this recommendation.

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AUDIT RESULTS AND COMMENTS
(Continued)

If the Board approves the staff recommendations that it find a debt to be uncollectable, the staff recommendation and any Board addition, deletion, or modification to the staff recommendation shall be included in the minutes of the Board meeting in which the staff recommendation is considered by the Board." (West Clark Community School Corporation Bylaws & Policies 6151 and 6152 <http://www.neola.com/westclark-in/>)

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

During the audit period, the School Corporation did not perform monthly reconciliements of the Prepaid Food fund to the detailed subsidiary records of the student 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 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 EXTRACURRICULAR ACCOUNTS - SILVER CREEK HIGH SCHOOL

The same comment also appeared in prior Report B51824.

Condition and Context

There were deficiencies in the internal control system for the Silver Creek High School Extracurricular Accounts (ECA) related to the handling of textbook rental collections. The ECA had not separated incompatible activities related to receipts. The ECA Treasurer was collecting, recording, and depositing all textbook rental funds. Due to the lack of controls, the following deficiencies were noted:

1. When fees were received for textbook rental, they were entered into the Fee Billing software application, which was not integrated or compatible with the ECA accounting software. A Fee Billing System Statement was printed and given to the payer (student or guardian) as a receipt; these statements were not prenumbered. Fees were then recorded in the Textbook Rental fund as one receipt and included, along with other receipts, in the bank deposit prepared for that particular day. We were unable to trace the textbook rental collections by student to the Textbook Rental fund or bank deposit.

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

2. The Fee Billing software application and ECA accounting software is not integrated or compatible. The ECA Treasurer does not review textbook rental revenue to ensure collections of Fee Billing software applications have been properly recorded in ECA accounting software.
3. Textbook rental receipts were not maintained in chronological order to enable determination of which textbook rental receipts made up each deposit and/or receipt entry into the ECA ledger.

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. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 1)

Form TBR-2, Official Receipt - Individual Textbook Rental List, is to be prenumbered and printed in triplicate. The form, one set for each student, is to be prepared when textbooks and related materials are issued to the student. . . .

The original of Form TBR-2 is to be given the payer (student or parent). The duplicate is to be retained by the issuing officer and the triplicate is to remain intact in the book. The duplicate, together with rental fees collected, must be transmitted daily to the treasurer of the extra-curricular account. . . . All duplicates of Form TBR-2 shall be filed alphabetically, by student last names, in the office of the treasurer for audit purposes. A separate TBR-2 should be issued for each payment. . . .

Duplicates and triplicates will remain intact in the book if the issuing officer is the treasurer.

The original copy of Form TBR-2 shall be given to the student if the student pays the fee, which copy serves as a receipt for the rental fees collected from the student. When book lists are used in lieu of itemization on the form, a copy of the appropriate list shall be attached to the student's copy and one copy shall be retained for audit. A TBR-2 should be issued each time a payment is received. TBR-2 forms should not be issued prior to payments being made by parents or students.

WEST CLARK COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

When issuing officers other than the treasurer are designated to issue books and collect rental fees, the treasurer shall issue an official receipt to the issuing officer each time the issuing officer transmits the money or submits a certified deposit slip, to cover such fees, to said treasurer. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 4)

WEST CLARK COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 20 2020, with Dr. Thomas R. Brillhart, Treasurer; Patty Kelley, Deputy Treasurer; Clemencia Perez-Lloyd, Superintendent of Schools; Lin Waiz, Extracurricular Accounts Treasurer; Al Eckert, Principal of Silver Creek High School; and Myra W. Powell, President of the School Board.