

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MEDORA COMMUNITY SCHOOL CORPORATION

JACKSON 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	Teresa Brewer	01-01-17 to 12-31-20
Superintendent of Schools	Roger Bane	07-01-17 to 06-30-21
President of the School Board	Joe Campbell	01-01-17 to 12-31-20



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TO: THE OFFICIALS OF THE MEDORA COMMUNITY SCHOOL
CORPORATION, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Medora 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 20, 2020

MEDORA COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - RECEIPTS

A similar comment also appeared in prior Report B52142, entitled *INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING*.

Condition and Context

The School Corporation had not separated incompatible activities related to receipts. The Treasurer opened the mail, collected money, prepared the receipts, recorded the receipts in the financial ledger, made up the bank deposit slips, and made the bank deposits. There was no segregation of duties, such as an oversight, 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:

"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. . . ."

COLLECTION OF DELINQUENT TEXTBOOK RENTAL FEES

Condition and Context

The School Corporation was owed monies for delinquent textbook rental fees, but did not follow its policy in an attempt to collect overdue textbook rental fees during the audit period.

Criteria

Medora Community School Corporation Administrative Guideline Manual -2510C - DELINQUENT STUDENT TEXTBOOK RENTAL FEES states in part:

MEDORA COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

"The following procedure is to be used to collect delinquent textbook rental fees.

- A. At least thirty (30) days after the date the statement of fees was mailed to the parents of each student and to each student who is an emancipated minor, a reminder notice will be mailed to the parents of each student with delinquent fees. . . .
- B. At least fifteen (15) days after the reminder notice was mailed, a late payment warning will be mailed to the parents of each student with delinquent . . .
- C. If the delinquent rental has not been paid within thirty (30) days after the late payment warning was mailed, all relevant information concerning such delinquency will be given to the Corporation Treasurer for collection. . . .
- D. The Principal will examine and investigate all delinquent textbook rental referrals and will give qualified individuals a second opportunity to apply for financial assistance. S/He will then determine which accounts are appropriate for the filing of a complaint in small claims court. . . ."

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 FOOD FUND

Condition and Context

During the audit period, the School Corporation did not perform monthly reconciliements of the Prepaid Food fund (Fund 8400) 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)

MEDORA COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2020, with Teresa Brewer, Treasurer; Roger Bane, Superintendent of Schools; Joe Campbell, President of the School Board; and John W. Hughes, School Board member.