

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENCASTLE COMMUNITY SCHOOL CORPORATION

PUTNAM 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	Jayme Barber	07-01-17 to 10-12-18
	(Vacant)	10-13-18 to 10-16-18
	Rebecca Monroe	10-17-18 to 01-08-19
	(Vacant)	01-09-19 to 01-15-19
	Angela Modglin	01-16-19 to 03-22-19
	(Vacant)	03-23-19 to 04-19-19
	Kellie Romer (interim)	04-20-19 to 05-20-19
	Kellie Romer	05-21-19 to 06-30-20
Superintendent of Schools	Jeffrey L. Hubble	07-01-17 to 06-30-20
President of the School Board	Michael White	07-01-17 to 06-30-20



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

TO: THE OFFICIALS OF THE GREENCASTLE COMMUNITY SCHOOL CORPORATION, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the Greencastle 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 13, 2020

GREENCASTLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B52024, entitled *TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The School Corporation did not ensure that all required personnel received training concerning the internal control standards adopted by the School Corporation.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B52024, entitled *TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS*.

Condition and Context

The School Corporation incorrectly certified on the Annual Financial Reports for fiscal years 2017-2018 and 2018-2019 that all required personnel received training concerning the internal control standards adopted by the School Corporation.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

Reconcilements between the School Lunch fund and the Prepaid School Meal Accounts fund (clearing account) on the School Corporation's ledger were not performed during the audit period. Monthly transfers from the clearing account to the School Lunch fund were not based on actual sales during the month; rather, they were made based on prior month collections. The clearing account only recorded online payments. Payments collected at the individual schools were deposited, when collected, directly into the School Lunch fund. Because the prepaid amounts were not properly transferred, it was not possible to reconcile the prepaid balance to the subsidiary ledgers.

GREENCASTLE 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)

BANK ACCOUNT RECONCILIATIONS

Condition and Context

Bank account reconciliations were not originally presented for May 2019 and June 2019, and were completed during the audit. The bank account reconciliations for August 2018 to April 2019 were inaccurate.

Criteria

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."

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report for fiscal year 2017-2018 was filed 331 days after the due date.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

GREENCASTLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

AVERAGE DAILY MEMBERSHIP - LACK OF RECORDS

Condition and Context

A written certification of Average Daily Membership (ADM) from the building level officials was not obtained for fiscal year 2017-2018.

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."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

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)

INTERNAL CONTROLS

Condition and Context

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Receipts

The School Corporation had not separated incompatible activities related to receipts. Receipts were issued and recorded by the Treasurer without a documented oversight, review, or approval process.

Cash and Investments

The School Corporation had designed a control in which the School Board reviewed the bank reconciliations. The control was implemented, but was not effective. The reconciliation did not always agree to the total fund balance, which was not identified in the School Board review.

GREENCASTLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

GREENCASTLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2020, with Kellie Romer, Treasurer; Jeffrey L. Hubble, Superintendent of Schools; Donovan Garletts, Assistant Superintendent of Schools; Michael White, President of the School Board; William M. Tobin, Secretary of the School Board; Shelley Gardner, Deputy Treasurer; Carla Plessinger, Personnel and Benefits Coordinator; Kim Sullivan, Director of Special Education; Debbie Carrico, Director of Food Service; and Billie J. Bumgardner, Food Service Assistant.