

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CARMEL CLAY SCHOOLS

HAMILTON COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/11/2020



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Bad Debts and Uncollectible Accounts .....	4
Prepaid School Lunch Accounts.....	5
Official Response .....	6-8
Exit Conference.....	9

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Roger McMichael	07-01-17 to 06-30-20
Superintendent of Schools	Dr. Nicholas Wahl	07-01-17 to 10-10-17
	Amy Dudley (co-interim)	10-11-17 to 06-30-18
	Roger McMichael (co-interim)	10-11-17 to 06-30-18
	Dr. Michael Beresford	07-01-18 to 06-30-21
President of the School Board	Layla Spanenberg	07-01-17 to 12-31-18
	Michael Kerschner	01-01-19 to 12-30-20



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE CARMEL CLAY SCHOOLS, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Carmel Clay 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/](http://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 26, 2020

CARMEL CLAY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS***

*Condition and Context*

The School Corporation does not have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. The School Corporation provided policy 6152 Student Fees, Fines, and Charges, but this policy did not address the writing off of bad debts or uncollectible accounts receivables.

*Criteria*

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

USDA issued Memo 47-2016 defines "bad debt" as debts which have been determined to be uncollectable. It goes on to say once amounts are classified as bad debts that they must be written off and taken as an operating loss. 2 CFR 200.426 states, "Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable." Therefore, School Nutrition Program grant funds cannot be used cover the costs of writing off bad debt. The operating loss must be absorbed by using non-Federal funds. Transfers to the Prepaid School Lunch fund (8400) to cover bad debts may be made from the General fund (100), special funding from State or Local grants, funding received from school or community organizations, or other donations. (The School Bulletin and Uniform Compliance Guidelines, December 2016)

CARMEL CLAY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

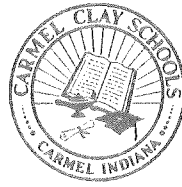
**PREPAID SCHOOL LUNCH ACCOUNTS**

*Condition and Context*

Receipts for prepaid school meal deposits were not recorded in Fund 8400 - Prepaid Lunch, a clearing account, but were instead accounted for in the School Lunch fund. The School Corporation had properly established fund 8400, but was performing a reconciliation to determine the amounts to transfer from the School Lunch fund to the Prepaid Lunch fund on a periodic basis. The School Corporation was also not reconciling the balance of Fund 8400 with the total of individual meal accounts on a monthly basis during the majority of the audit period.

*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)



## CARMEL CLAY SCHOOLS

---

5201 East Main Street, Carmel, Indiana 46033 • Telephone: 317.844.9961 • Fax: 317.844.9965 • [www.ccs.k12.in.us](http://www.ccs.k12.in.us)

---

March 6, 2020

Paul Joyce, State Examiner  
Indiana State Board of Accounts  
302 W. Washington St.  
Indianapolis, IN 46204

### OFFICIAL RESPONSE

Dear Mr. Joyce:

We wish to file an official response to the results and comments in the form of a letter to be bound in the report. We understand that this letter will be made part of the report.

### **BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS**

#### **Comment:**

The School Corporation does not have a written policy concerning a procedure for writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. The School Corporation provided policy 6152 Student Fees, Fines and Charges but this policy did not address the writing off of bad debts or uncollectible receivables.

**Response:** We concur with the comment.

Description of Correction Plan: Carmel Clay Schools administration has recommended an amendment to school board policies *8500 Food Services* and *6152 Student Fees, Fines and Charges* which will describe the procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Contact Person Responsible for Corrective Action: Kara Kollros  
Contact Phone Number: 317-844-9961

**PREPAID SCHOOL LUNCH ACCOUNTS**

**Comment:**

Receipts for prepaid school meal deposits were not recorded in Fund 8400 – Prepaid Lunch, a clearing account, but were instead accounted for in the School Lunch fund. The School Corporation had properly established fund 8400, but was performing a reconciliation to determine the amounts to transfer from the School Lunch fund to the Prepaid Lunch fund on a periodic basis. The School Corporation was also not reconciling the balance of Fund 8400 with the total of individual meal accounts on a monthly basis during the majority of the audit period.

**Response:** We concur with the comment.

Description of Correction Plan: Carmel Clay Schools had adjusted this process prior to the audit but not within the audit period. All School Lunch fund receipts are not recorded in the correct fund on a monthly basis.

Contact Person Responsible for Corrective Action: Kara Kollros  
Contact Phone Number: 317-844-9961

**FINDING 2019-01**

Subject: Child Nutrition Cluster – Program Income  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Year (or Other Identifying Numbers): FY2018, FY2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Other Matters

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-004.

**Response:** We concur with the finding.

Contact Person Responsible for Corrective Action: Kara Kollros  
Contact Phone Number: 317-844-9961

Description of Corrective Action Plan:

Carmel Clay Schools adjusted this process prior to the audit, but not within this audit period. All School Lunch fund receipts are now recorded in the correct fund on a monthly basis.

I very much appreciate the assistance provided to Carmel Clay Schools by representatives of the State Board of Accounts. The audit was very thorough and accomplished in a very professional manner.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger McMichael". The signature is fluid and cursive, with a large loop at the end.

Roger McMichael  
Associate Superintendent

c: Kara J. Kollros, Director of Finance

CARMEL CLAY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2020, with Dr. Michael Beresford, Superintendent of Schools; Roger McMichael, Treasurer; Kara Kollros, Director of Finance; Michael Kerschner, President of the School Board; and Lin Zheng, Secretary of the School Board.