

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EAST NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
04/27/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brian A. Leitch	07-01-18 to 06-30-21
Superintendent of Schools	Ann W. Linson	07-01-18 to 06-30-21
President of the School Board	David Desper Dan Beall Barbara Babcock Brent Durbin	07-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20 01-01-21 to 06-30-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EAST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the East Noble School Corporation (School Corporation), for the period from July 1, 2018 to June 30, 2020. 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

April 19, 2021

EAST NOBLE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL MEAL ACCOUNTS

This is a repeat comment from the immediately prior Report B52656.

Condition and Context

Proper procedures were not in place to ensure financial activity related to program income was properly recorded in the School Lunch Trust Fund. The control account in the financial ledger was not reconciled with the detail meal subsidiary records to ensure that all financial activity recorded in the subsidiary record had been properly identified and recorded in the financial ledger.

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)

INTERNAL CONTROLS

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts and other financing sources.

EAST NOBLE SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Receipts were entered and posted into the financial software by the Deputy Treasurer. There was no oversight or review by another knowledgeable employee to ensure receipts were properly posted to the financial software.

Transfers were entered into the financial software as a Journal Entry with no proper review procedures in place, with the exception of the reorganization of funds at the beginning of 2019. These large transfers for the reorganization were approved in the School Board minutes. The majority of transfers that occurred were from the School Lunch Trust Fund to the School Lunch fund. These transfers were for prepaid school lunch money receipts.

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. . . ."

EAST NOBLE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2021, with Brian A. Leitch, Treasurer; Mary Casselman, Deputy Treasurer; Ann W. Linson, Superintendent of Schools; Jennifer Blackman, School Board member; Barbara Babcock, School Board member; Brad Anderson, School Board member; Dave Pine, School Board member; and Scott Truelove, School Board member.