

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEW PRAIRIE UNITED SCHOOL CORPORATION

LAPORTE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
05/26/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James G. Holifield	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Paul White	07-01-18 to 06-30-21
President of the School Board	Richard Shail Phillip King	07-01-18 to 12-31-19 01-01-20 to 12-31-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NEW PRAIRIE UNITED SCHOOL
CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the New Prairie United 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

May 13, 2021

NEW PRAIRIE UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions. The School Corporation had not designed or implemented effective internal controls related to receipts, payroll disbursements, and other financing sources.

Receipts

The internal control process was not effective in detecting and correcting errors timely. During the fiscal year 2019-2020, receipts totaling \$1,884,844 were not accurately posted to the proper debt service fund. This resulted in an overstatement in the Exempt Debt fund, and an understatement in the Debt Service fund by \$1,884,844.

Payroll Disbursements

One employee entered the wages and hours worked for employees into the computerized accounting system without evidence of a proper system of oversight or review to ensure that employees were paid the proper rates or from the proper funds.

Other Financing Sources

The Treasurer was to provide a list of surplus capital assets to the School Board for approval before they were sold; however, the Treasurer did not provide the list of surplus capital assets to the School Board prior to the sale.

The lack of internal controls was a systemic issue 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. . . .

NEW PRAIRIE UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CREDIT CARDS

A similar comment appeared in the two prior Reports B49480 and B52616, entitled *CREDIT CARD DISCREPANCIES* and *CREDIT CARDS*.

Condition and Context

The School Board approved the use of credit cards for authorized individuals in Corporation Policy and Administrative Guidelines #6423 (Policy #6423). Policy #6423 states in part: ". . . D. After use, school credit cards are to be returned to the Superintendent or designee along with appropriate receipt copies (not credit card billing statement) of all charges. . . ."

The School Corporation did not comply with its approved credit card policy as follows:

1. The School Corporation paid \$14,142 from credit card statements without a receipt supporting the amount paid or the validity of the transaction.
2. Sales tax of \$799 was paid for the month of August 2019.
3. The School Corporation did not maintain logs or other records of each card, including when the credit cards were issued and returned. Two of the three credit cards tested did not have appropriate logs or other record maintained.

Criteria

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)

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance/resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the governing body.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.

NEW PRAIRIE UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
5. The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
6. Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of that officer or employee.
8. If authorized, an annual fee may be paid.

Government funds are exempt from the payment of sales taxes on qualifying purchases. . . .

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

The School Corporation was not properly recording the gross receipts and disbursements in the School Nutrition Clearing fund. The School Corporation calculated the difference between what was collected from students or adults and the charged meals, and receipted the difference into the School Nutrition Clearing fund. The School Corporation would subsequently disburse that amount to the School Lunch fund as program income.

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 on 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)

NEW PRAIRIE UNITED SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

OVERDRAWN CASH BALANCES

The same comment appeared in the prior Reports B45535, B49480, and B52615.

Condition and Context

The financial statement presented for audit included the following funds with an overdrawn cash balance at June 30, 2019 and 2020, which was not attributed to timing of reimbursements:

Fund	Amount Overdrawn as of June 30,	
	2019	2020
Curricular Materials Rental	\$ 448,041	\$ 273,794
Olive PTO - Remediation	-	171
Confucius Chinese Teacher	-	3,557
Enrichment Activities	-	283
NP Activity Fund	50	50
2016 Summer School Enrichment	6,983	-
Payroll Deductions	-	37,879

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CAPITAL ASSETS

Condition and Context

The School Corporation hired a vendor to complete a detailed listing of all capital assets; however, some of the capital assets in the detailed listing did not report an acquisition value.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SUBSIDIARY LEDGERS - RECONCILING - APPLIES TO NEW PRAIRIE HIGH SCHOOL

Condition and Context

The Financial Report of School Extracurricular Accounts (SA 5-1) did not reconcile with the detailed ledger. The SA 5-1 financial activity overstated receipts by \$154,170 and \$162,978, and disbursements were overstated by \$155,537 and \$162,978, for fiscal years 2018-2019 and 2019-2020, respectively. It was determined that the SA 5-1 was duplicating voided transactions.

NEW PRAIRIE UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger. (Accounting and Uniform Compliance Guidelines Manual for Extracurricular Accounts, Chapter 1)

NEW PRAIRIE UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2021, with James G. Holifield, Treasurer; Dr. Paul White, Superintendent of Schools; Phillip King, President of the School Board; Jaclyn Conley, Grants Specialist; Shelley Dettinger, Payroll/HR Coordinator; Ellen Borkowski, Deputy Treasurer; and Laurie Jacobson, Food Service Director.