

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
NORTHERN WELLS COMMUNITY SCHOOLS
WELLS COUNTY, INDIANA
July 1, 2018 to June 30, 2020



FILED

06/02/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah L. Adams	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Scott A. Mills Mike Springer	07-01-18 to 08-31-20 09-01-20 to 06-30-21
President of the School Board	R. Scott Elzey Angela K. Topp	07-01-18 to 12-31-18 01-01-19 to 06-30-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHERN WELLS COMMUNITY
SCHOOLS, WELLS COUNTY, INDIANA

This report is supplemental to our audit report of the Northern Wells Community Schools (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 20, 2021

NORTHERN WELLS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

MEAL CHARGE POLICY

Condition and Context

The School Corporation did not establish a Meal Charge Policy to address the steps taken for collecting delinquent meal charge debt.

Criteria

On July 8, 2016, the USDA issued Memo 46-2016 providing requirements and guidance for school food authorities (SFA) to institute and communicate a meal charge policy. The memo states, "Because all students in participating schools may receive reimbursable meals, all SFAs must have a policy in place for children who are participating at the reduced or paid rate, but either do not have money in their account or in hand to cover the cost of the meal at the time of service." It is required that students and their parents or guardians must be informed about how students who pay the full or reduced price cost of a reimbursable meal are impacted by having insufficient funds on hand or in their account to purchase a meal. The memo includes a deadline of July 1, 2017 for all SFAs to have established and communicated their written meal charge policy. (The School Bulletin and Uniform Compliance Guidelines, December 2016)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

The School Corporation did not set up a separate Prepaid School Lunch fund (Fund 8400), a trust holding fund, in their Software Systems accounting software. Instead, they created an account within their Clearing fund (Fund 9000) to report the receipts. The receipts from the students and adults for deposits to their individual cafeteria accounts were posted to an account within the Clearing fund. To determine the transfers to be made to the School Lunch fund from the Clearing fund, the Food Service Director compared the balance of the account to the Customer List with Accounts Report from WebSMARTT at the end of the month. The difference was then transferred from the Clearing fund to the School Lunch fund by issuing a negative receipt instead of disbursing the amount from the account, entitled "Other Food Services." Although the Food Service Director compared these balances, the amounts did not match because negative student balances were not considered in the reconciliation. Sales report documentation from the point-of-sale software did not support amounts transferred during the audit period. Additionally, the School Corporation did not have a policy to support the frequency of transfers of earned cafeteria revenue.

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)

NORTHERN WELLS COMMUNITY SCHOOLS
 AUDIT RESULTS AND COMMENTS
 (Continued)

CONDITION OF RECORDS

Condition and Context

A February 2019 distribution from the Auditor of State in the amount of \$22,414 was erroneously posted to the School Corporation's Clearing fund instead of the School Lunch fund. There was no entry made by the School Corporation to correct this error.

Criteria

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances at the end of the audit period:

Fund	Amount Overdrawn as of June 30,	
	2019	2020
Child Care Program	\$ 8,035	\$ 24,829
Drivers Ed Program	-	9,062
Extra-Curricular Activities	3,597	6,108
Recreational Activities	1,702	-

Funds with overdrawn cash balances as a result of grant expenditures awaiting reimbursements were not included in this comment.

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)

Northern Wells Community Schools

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Fax (260) 622-7893

Mr. Michael Springer, Superintendent

May 28, 2021

Indiana State Board of Accounts
302 West Washington St, Room E418
Indianapolis, In 46204-2765
Subject: Official Response to Condition and Context

OFFICIAL RESPONSE:

Reference: Audit Period 7/1/2018 – 6/30/2020, Results and Comments

We respectfully request that this official response to the results and comments be included in the audit report.

- **PREPAID SCHOOL MEAL ACCOUNTS:** Northern Wells Community Schools set up a separate Prepaid School Lunch Fund (8400) in January 2019. This was done as reported on the Summary of Schedule of Prior Audit Findings signed 4/7/2021. The Clearing Fund 9000 that is reference in the Audit Results and Comments is not used to receipt and expend transactions. Fund 9000 is a Control Fund that includes all clearing accounts to reflect the total transactions on a fund report. Fund reports are available of just clearing fund 8400 starting January 2019. At that time our software platform, Software Systems, did not have the capability of including clearing funds (8000-8999) with all other funds (0101-7999). Therefore, the reports had to be run separately. However, the fund report could be generated showing the 9000 control fund that summarized all clearing fund transactions. The receipts from students and adults for deposits to their individual cafeteria accounts were posted to the Prepaid School Lunch Fund (8400).

We now have the capability to enter receipts and expenditures for Prepaid school Lunch Fund (8400) in compliance with school Bulleting and Uniform Compliance Guidelines dated February 2019. This has already been implemented.

The February 2019 distribution from the State was posted to the Clearing Fund instead of the School lunch fund appears to have been done in error. However, at the time the adjustment was made we were setting up the 8400 Clearing Fund with SBOA advising what the beginning balance should be, and we used that State EFT to help obtain the result desired.

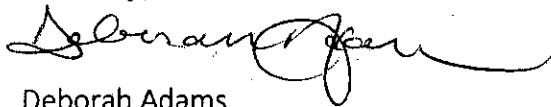
- **Overdrawn Cash Balance:** The Overdrawn cash balances shown are programs that are self-funding and a community service. They are in fact reimbursable

funds, meaning that the service is provided, and the reimbursement is received later. All these funds involve disbursing salaries.

- **Child Care Program:** Latchkey and Pre-school are self-funding programs. The salaries for the personnel must be run thru the Corporation's books. The Central office bills the school for the salaries disbursed monthly, and the reimbursement is received the next month. This fund will always have a negative balance at the end of each month.
- **Drivers Ed Program:** We must pay the driver instructor's salaries, lease the cars, enroll the students in the on-line instruction program, etc. All of this must be paid prior to receiving all the enrollment fees from the participants. Until the end of the program, this fund balance will have a negative balance.
- **Recreational Activities:** These are self-funding activities. The service is provided, costs must be paid before the total revenue is received. In this case these funds are designated for lifeguard certification and CPR certification.

Thank you for your consideration!

Sincerely,



Deborah Adams
HR/Treasurer
Northern Wells Community Schools

NORTHERN WELLS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2021, with Deborah L. Adams, Treasurer; Raina Sisson, Director of Food Services; Mike Springer, Superintendent of Schools; Angela K. Topp, President of the School Board; and Gene A. Donaghy, Secretary of the School Board.