

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH ADAMS SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
06/08/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca Biberstein	07-01-18 to 06-30-21
Superintendent of Schools	Scott Litwiller Michael Pettibone (interim) Michelle Clouser-Penrod	07-01-18 to 07-31-19 08-01-19 to 12-15-19 12-16-19 to 06-30-21
President of the School Board	Arlene Amstutz	07-01-18 to 06-30-21



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the South Adams 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

SOUTH ADAMS SCHOOLS
AUDIT RESULTS AND COMMENTS

CERTIFICATION AND TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

Documentation could not be provided showing that all School Corporation employees, whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the School Corporation, had received training over the internal control standards that were developed or approved by the Indiana State Board of Accounts.

Since documentation could not be provided, the certification on the Annual Financial Report that training on internal control standards was received by personnel was unable to be verified for the audit period.

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."

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

"The state examiner shall require from every audited entity 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."

Personnel training of individuals shall be evidenced through a certification process. The certification form that is to be used and retained . . . is found in the Appendix of this manual. (Uniform Internal Control Standards for Indiana Political Subdivisions, page 4)

PREPAID SCHOOL MEAL ACCOUNTS

Condition and Context

The School Corporation was unable to provide subsidiary student account records that reconcile to the Prepaid School Meal Account Fund (fund 8400), the financial activity of this fund is reported in the Clearing Funds fund in the financial statement. The School Corporation had not reconciled, on a monthly basis, the balance of Prepaid School Meal Account Fund with the total of the individual student meal accounts.

The School Corporation had not properly accounted for prepaid school meal account funds to ensure proper reporting. The School Corporation set up a clearing account for prepaid meal account funds with the fund number of 8400. After a student had charged meals, the School Corporation improperly posted a negative receipt into fund 8400 and a positive receipt into fund 800 (School Lunch fund). Sufficient supporting documentation for the receipt posting was not provided for audit. We were unable to determine if the amounts receipted into the School Lunch fund were from an allowable source and posted to the proper fund. We were unable to determine if the amounts coming out of the Prepaid School Meal Account Fund, as negative receipts, were from an allowable source, from the proper fund and for the correct amount.

SOUTH ADAMS SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Due to improper posting of receipts, the School Lunch fund receipts and disbursements may be understated by \$15,376 for fiscal year 2018-2019. Prepaid School Meal Account Fund receipts and disbursements may be understated by \$38,321 and \$57,739 for 2018-2019 and 2019-2020, respectively.

The School Corporation was unable to provide us a written prepaid school meal accounts policy.

Criteria

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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)

CAPITAL ASSETS

Condition and Context

The School Corporation had a capital assets policy in place that required them to complete a physical inventory every year; however, the policy was not followed during the audit period. The School Corporation was unable to provide a complete detailed listing of all capital assets owned that reflects their acquisition value. They were also unable to provide supporting documentation for the supplementary Schedule of Capital Assets reported in the Indiana Gateway for Government Units financial reporting system.

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)

SOUTH ADAMS SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 20, 2021, with Annette Schwartz, Deputy Treasurer; Michelle Clouser-Penrod, Superintendent of Schools; Arlene Amstutz, President of the School Board; John Mann, School Board member; Pamela Hawbaker, Federal Grants Coordinator; and Casey Schellabarger, Corporate Secretary.