B56914

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NORTH JUDSON-SAN PIERRE
SCHOOL CORPORATION
STARKE COUNTY, INDIANA

July 1, 2018 to June 30, 2020

FILED
06/17/2021

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Guy Richie	07-01-18 to 02-28-21
	Dalton Tunis	03-01-21 to 06-30-21
Superintendent of Schools	Dr. Annette Zupin	07-01-18 to 06-30-21
President of the School Board	Shelia Akers	07-01-18 to 06-30-19
	Derrick Stalbaum	07-01-19 to 06-30-21

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TO: THE OFFICIALS OF THE NORTH JUDSON-SAN PIERRE
SCHOOL CORPORATION, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the North Judson-San Pierre 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

June 9, 2021

FINANCIAL TRANSACTIONS

A similar comment also appeared in prior Report B52419, entitled *FINDING 2018-001*.

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 and payroll and fringe benefits disbursements.

Receipts

One employee was responsible for entering the receipts into the accounting system. There was no documentation of a review or oversight process in place after the receipts had been entered into the accounting system to ensure receipts were posted for the correct amount and to the proper fund.

Disbursements - Payroll and Fringe Benefits

The School Corporation had not properly designed or implemented internal controls over recording transactions for payroll and fringe benefits disbursements to ensure the accuracy and classification of the payroll disbursements.

Fringe benefit invoices were included on the Accounts Payable Voucher (APV) register submitted to the School Board and Treasurer for review and approval. However, the APV register only provided a total of the amounts paid from each fund.

One employee was responsible for processing payroll. Payroll reports were submitted to the School Board and Treasurer for review and approval; however, the reports only provided a total gross amount paid from each fund.

An adequate review or oversight process had not been designed or implemented to ensure the accuracy and proper classification of the payroll and fringe benefits disbursements, by employee, to the correct fund and account.

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. . . ."

AVERAGE DAILY MEMBERSHIP - LACK OF RECORDS

Condition and Context

The School Corporation was unable to provide any enrollment documentation for 2 of the 6 virtual students and 18 of the 27 brick and mortar students that were selected for sampling in the test of Average Daily Membership (ADM).

The School Corporation was not following its own Attendance Policy #5200 and Student Records Policy #8330 that were adopted. We noted the following instances of noncompliance:

1. The School Corporation was unable to provide documentation for proof of residency for 26 of the 27 brick and mortar students and 6 of 6 virtual students that were tested.

2. The School Corporation was unable to provide documentation to verify the student met the age requirement (birth certificate) for 11 of the 27 brick and mortar students that were tested.

3. The School Corporation was unable to provide documentation that the student was attending school for 8 of the 27 brick and mortar students that were tested.

Therefore, we were unable to determine if the 6 virtual students and 26 of the 27 brick and mortar students tested were properly enrolled.

Criteria

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.), which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

OVERDRAWN CASH BALANCES

Condition and Context

The financial statement presented for audit included the following funds with overdrawn cash balances at June 30, 2019 and 2020, which were not attributed to timing of reimbursements.

Fund	Amount Overdrawn as of June 30, 2019	Amount Overdrawn as of June 30, 2020
Health Insurance	$ 38,904	$ 33,276
Dental Insurance	1,613	10,124
Vision Insurance	863	2,409
Garnishment	160	160
Starke United Fund	21	21
American Fidelity Benefits	2,026	-
American Fidelity Flex	107	693
Texas Life	389	372
Legal Shield	363	255
American Fidelity HSA	1,149	2,509
AFLAC	203	203

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)

PREPAID MEALS ACCOUNT RECONCILIATIONS

Condition and Context

Monthly reconcilements of all the students' individual meal account balances to the Prepaid Meals fund (clearing account) were not performed. A comparison of the Prepaid Meals fund balance to the students' individual meal account balances at June 30, 2019 and 2020, is as follows:

	As of June 30, 2019	As of June 30, 2020
Cash and Investment Balance - Prepaid Meals fund	$ 2,741	$ 14,359
All Students' Individual Meal Account Balances	5,579	13,941
Variance in Unreconciled Funds	$ (2,838)	$ 418

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 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)

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2021, with Dalton Tunis, Treasurer; Dr. Annette Zupin, Superintendent of Schools; and Jim Menis, School Board member.