



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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November 17, 2022

To: The Officials of Cloverdale Community School Corporation
Cloverdale Community School Corporation
310 E Logan Street
Cloverdale, IN 46120

This report is supplemental to the audit report of Cloverdale Community School Corporation (School Corporation), for the period July 1, 2019 to June 30, 2021. It has been provided as a separate report so that the reader may easily identify any Examination Findings that pertain to the School Corporation. It should be read in conjunction with the financial statement audit report of the School Corporation, which provides an opinion on the School Corporation's financial statements. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of the School Corporation and perform procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Findings and Results contained herein describe the identified reportable instances of noncompliance found as a result of these procedures.

We have reviewed the Supplemental Audit Report for Cloverdale Community School Corporation prepared by Crowe LLP, Independent Public Accountants, for the period July 1, 2019 to June 30, 2021. In our opinion, the Supplemental Audit Report was prepared in accordance with the guidelines established by the State Board of Accounts.

We call your attention to the findings in the report on pages 3 through 5.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in black ink that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

COMPLIANCE EXAMINATION OF
CLOVERDALE COMMUNITY SCHOOL CORPORATION
Putnam County, Indiana
July 1, 2019 to June 30, 2021

CLOVERDALE COMMUNITY SCHOOL CORPORATION

Putnam County, Indiana
July 1, 2019 to June 30, 2021

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CLOVERDALE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF OFFICIALS
July 1, 2019 to June 30, 2021

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mendy Shrout	07-01-19 to 06-30-21
Superintendent of Schools	Greg Linton	07-01-19 to 06-30-21
President of the School Board	Vivian Whitaker	07-01-19 to 06-30-21



INDEPENDENT ACCOUNTANT'S REPORT

To the Indiana State Board of Accounts and
Management of the Cloverdale Community School Corporation

We have examined the Cloverdale Community School Corporation ("School Corporation") compliance with the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations* during the period July 1, 2019 to June 30, 2021. Management of the School Corporation is responsible for the School Corporation's compliance with the specified requirements. Our responsibility is to express an opinion on the School Corporation's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the School Corporation complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the School Corporation complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

Our examination does not provide a legal determination on the School Corporation's compliance with specified requirements.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination disclosed material noncompliance with the *Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations* applicable to the School Corporation during the period July 1, 2019 to June 30, 2021, as described in items 2021-001 through 2021-005 on the following Schedule of Examination Findings and Results.

In our opinion, except for the material noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the aforementioned requirements during the period July 1, 2019 to June 30, 2021.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
November 11, 2022

CLOVERDALE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2019 to June 30, 2021

FINDING 2021-001: OVERDRAWN CASH BALANCES

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual For Indiana Public School Corporations states in part, "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."

Condition: During testing of cash fund balances, we noted the following funds that were not cost-reimbursement grant based with a cash balance below zero as of June 30, 2020 or June 30, 2021:

<u>Fund</u>	<u>Amount Overdrawn June 30, 2020</u>	<u>Amount Overdrawn June 30, 2021</u>
School Lunch	\$ 33,630	\$ 63,299
Curricular Materials Rental	13,625	-

FINDING 2021-002: BAD DEBT/ UNCOLLECTIBLE ACCOUNTS AND MEAL CHARGE POLICY

The same finding also appeared in prior Report B54234.

Criteria: The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

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.

USDA issued Memo 47-2016 defines "bad debt" as debts which have been determined to be uncollectable. It goes on to say once amounts are classified as bad debts that they must be written off and taken as an operating loss. 2 CFR 200.426 states, "Bad debts (debts which have been determined to be uncollectable), including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable." Therefore, School Nutrition Program grant funds cannot be used cover the costs of writing off bad debt. The operating loss must be absorbed by using non-Federal funds. Transfers to the Prepaid School Lunch fund (8400) to cover bad debts may be made from the General fund (100), special funding from State or Local grants, funding received from school or community organizations, or other donations. (The School Bulletin and Uniform Compliance Guidelines, December 2016)

CLOVERDALE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2019 to June 30, 2021

Condition: The School Corporation was not in compliance with its meal charge policy that significant negative lunch account balances shall not be permitted. A significant negative lunch account balance is any balance owed in excess of \$10. At the end of fiscal year 2019-2020, negative lunch account balances in excess of \$10 totaled \$5,301. This total included 253 account balances for an average negative balance of \$20.95. At the end of 2020-2021, negative lunch account balances in excess of \$10 totaled \$6,592. This total included 309 account balances for an average negative balance of \$21.33.

FINDING 2021-003: PREPAID SCHOOL LUNCH CLEARING FUND (8400) RECONCILIATION

The same finding also appeared in prior Report B54234.

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).

Condition: The School Corporation's Prepaid Food Fund (8400) balance as of June 30, 2020, and June 30, 2021, did not reconcile to the subsidiary records of student accounts. The Prepaid Food Fund was greater than the subsidiary records of student accounts by \$16,523 and \$7,723, respectively.

FINDING 2021-004: DISBURSEMENT SUPPORTING DOCUMENTATION

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states in part, *"Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee."*

Condition: During testing of vendor disbursements, we noted one instance in our disbursement sample, in which supporting documentation was not adequately itemized. Vouchers need to be adequately itemized and agree to the check register.

CLOVERDALE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF EXAMINATION FINDINGS AND RESULTS
July 1, 2019 to June 30, 2021

FINDING 2021-005: PHYSICAL INVENTORY OF CAPITAL ASSETS

Criteria: Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states in part, “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.”

Condition: During testing of capital asset policies and procedures, we noted that a physical inventory of capital assets is not taken at least every two years. The School Corporation performs a physical inventory count every five years.

CLOVERDALE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE
July 1, 2019 to June 30, 2021

The contents of this report were discussed on November 11, 2022 with Mendy Shrout, Treasurer, Greg Linton, Superintendent, and Vivian Whitaker, School Board President.