

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EASTBROOK COMMUNITY SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
03/06/2015



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda J. Embry Lisa M. Baker	07-01-12 to 06-30-13 07-01-13 to 06-30-15
Superintendent of Schools	Brett T. Garrett	07-01-12 to 06-30-15
President of the School Board	Steve Greene Roger Richards Greg Brankle	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EASTBROOK COMMUNITY  
SCHOOL CORPORATION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the Eastbrook Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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 Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

February 9, 2015

EASTBROOK COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER THE PREPARATION  
OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***FINDING 2014-002 - INTERNAL CONTROLS OVER ELIGIBILITY***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service  
Program for Children  
CFDA Number: 10.553, 10.555, 10.559  
Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the eligibility compliance requirements.

EASTBROOK COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Lunch Director is the only School Corporation official who processes and reviews school lunch free and reduced applications.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.



**EASTBROOK COMMUNITY SCHOOLS CORP.**

**Brett T. Garrett, Ed. S., Superintendent**  
560 South 900 East • Marion IN 46953  
765/664-0624 • 765/664-0626 (Fax)  
EastbrookSchools.net

**CORRECTIVE ACTION PLAN**

**FINDING 2014-001 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: Lisa Baker, Business Manager  
Contract Phone Number: 765-664-0624

**Description of Corrective Action Plan:**

Each year, a list of all federal awards will be compiled with the assistance of the Special Services Director, the Curriculum Coordinator, and the Food Service Director.

The Business Manager will prepare the Schedule of Expenditures of Federal Awards as required at the end of each fiscal year. The Deputy Treasurer will be provided with the list of all federal awards for the fiscal year and will review all documentation supporting the Schedule's contents for accuracy and completeness prior to the Schedule's submission.

**Anticipated Completion Date: July 31, 2015**

*Lisa M Baker*

\_\_\_\_\_  
Signature

**BUSINESS MANAGER**

\_\_\_\_\_  
Title

**FEBRUARY 9, 2015**

\_\_\_\_\_  
Date





**EASTBROOK COMMUNITY SCHOOLS CORP.**

**Brett T. Garrett, Ed. S., Superintendent**  
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**CORRECTIVE ACTION PLAN**

**FINDING 2014-002 – INTERNAL CONTROLS OVER ELIGIBILITY**

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2012-13, FY 2013-14

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Lisa Baker, Business Manager

Contract Phone Number: 765-664-0624

**Description of Correction Action Plan:**

The Food Service Director will train a Kitchen Manager on the processing of the Free and Reduced Meal application. The Food Service Director will continue to process the applications and the manager will review the completed applications for accuracy.

**Anticipated Completion Date:** August 1, 2015

*Lisa M Baker*

\_\_\_\_\_  
Signature

**BUSINESS MANAGER**

\_\_\_\_\_  
Title

**FEBRUARY 9, 2015**

\_\_\_\_\_  
Date

EASTBROOK COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

Expenditures exceeded budgeted appropriations for the General fund by \$14,192 for the year 2012.

A similar comment appeared in prior Report B41912.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**OVERDRAWN CASH BALANCE**

The cash balance of the School Bus Replacement fund was overdrawn at June 30, 2014, by \$19,234.

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EASTBROOK COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 9, 2015, with Brett T. Garrett, Superintendent of Schools, and Lisa M. Baker, Treasurer.