

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TIPPECANOE SCHOOL CORPORATION

TIPPECANOE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/13/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kimberly J. Fox	07-01-12 to 12-31-15
Superintendent of Schools	Dr. Scott Hanback	07-01-12 to 06-30-15
President of the School Board	Kathy Dale Jim Slaven Randy Bond	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA
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TO: THE OFFICIALS OF THE TIPPECANOE SCHOOL
CORPORATION, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the Tippecanoe 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 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/.

The Federal Findings identified in the above referenced audit report are included in this report.

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 11, 2015

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation does have a system of internal control in place to prevent and detect errors on the Schedule of Expenditures of Federal Awards (SEFA), although these controls were not always effective in detecting all misstatements. The SEFA presented for audit included several immaterial errors, the most significant of which were that the state match amounts for the National School Lunch Program were included in the federal expenditures and that the School Breakfast Program expenditures were included in the expenditures of the National School Lunch Program. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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, 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 - CASH MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 12-13 and FY 13-14
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 Cash Management compliance requirements that have a direct and material effect on the programs. There were no procedures established to ensure that the School Lunch fund cash balances were maintained in compliance with the Cash Management requirements. The failure to establish an effective internal control system allowed material noncompliance with the requirements.

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Lunch fund cash balances were maintained at an amount in excess of three months average expenditures throughout the audit period of July 1, 2012 to June 30, 2014. At June 30, 2013, the School Lunch fund balance was \$5,555,781; 11.5 months of average expenditures for that fiscal year. At June 30, 2014, the School Lunch fund balance was \$5,882,080; 12.2 months of average expenditures for that fiscal year. The School Corporation indicated that they have a plan to spend down the excess cash balances; however, the plan was not yet implemented.

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."

7 CFR section 210.14(a) states in part: "School food authorities shall maintain a nonprofit school food service."

7 CFR section 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR section 210.2 defines net cash resources as:

"*Net cash resources* means all monies, as determined in accordance with the State agency's established accounting system, that are available to or have accrued to a school food authority's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities."

The failure to establish internal controls over the Cash Management requirements enabled material noncompliance to go undetected. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal funds.

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and the Cash Management compliance requirements that have a direct and material effect on the programs. In addition, we recommended that School Corporation officials comply with the applicable Cash Management requirements of the programs.



Tippecanoe School Corporation

21 Elston Road
Lafayette, Indiana 47909-2899

CORRECTIVE ACTION PLAN

FINDING 2014-001 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Kimberly J. Fox
Contact Phone Number: 765-474-2481

Description of Corrective Action Plan:

This was the first year for us to complete the SEFA. We have a much better understanding of the information we need to track for future submissions. The Deputy Treasurer and I will review all new grants with the SEFA in mind so that all required information is included in future reports.

Anticipated Completion Date: Immediately

FINDING 2014-002 Cash Management

Contact Person Responsible for Corrective Action: Kimberly J. Fox
Contact Phone Number: 765-474-2481

The excess balance in the School Lunch Fund will be addressed with new capital expenditures and new staff. Battle Ground Intermediate School will be reopening in August of 2015. Nutrition Services will be providing all cafeteria equipment needed for the remodeled cafeteria. The estimated cost of the new equipment is \$360,000. Southwestern Middle School is in the process of a kitchen remodel also and all of the new equipment will be purchased by Nutrition Services. The estimated cost of the new equipment is \$238,000. Also, with the reopening of Battle Ground Intermediate School additional staff will need to be hired.

Also, the Tippecanoe School Corporation is planning on construction a warehouse on the property of the Wyandotte Elementary School. The majority of the warehouse will be for storage for Nutrition Services. The School Lunch Fund will be purchasing all of the freezers and other necessary equipment for their portion of this warehouse.

Anticipated Completion Date: Summer of 2015 for the kitchen equipment at Battle Ground Intermediate School and Southwestern Middle School. Fall of 2016 or spring of 2017 for the equipment for the new warehouse.

Kimberly J. Fox
(Signature)

Chief Financial Officer / Treasurer
(Title)

February 11, 2015
(Date)

TIPPECANOE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2015, with Kimberly J. Fox, Treasurer; Lana Crum, Deputy Treasurer; Dr. Scott Hanback, Superintendent of Schools; and Randy Bond, President of the School Board.