

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WEST CENTRAL SCHOOL CORPORATION

PULASKI COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**

06/16/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2014-001 - Internal Controls Over Financial Transactions and Reporting .....	4
Finding 2014-002 - Internal Controls Over Cash Management and Reporting.....	5
Finding 2014-003 - Internal Control Over The Child Nutrition Cluster .....	6-7
Finding 2014-004 - Cash Management.....	7-8
Finding 2014-005 - Special Tests and Provisions - Paid Lunch Equity.....	8-10
Corrective Action Plan.....	11-13
Exit Conference .....	14

# SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela S. Ledford	07-01-12 to 06-30-16
Superintendent of Schools	Charles R. Mellon Don Street	07-01-12 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	Jeff Tanner Jim Bergens David Allen Jeff Lowry	07-01-12 to 12-31-13 01-01-14 to 12-31-15 01-01-16 to 05-06-16 05-07-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE WEST CENTRAL SCHOOL CORPORATION, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the West Central 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/](http://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

May 11, 2016

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts and some disbursements. One person is responsible for issuing, recording, depositing, and reconciling receipts. There is also one employee responsible for issuing, recording, and reconciling disbursements for the School Lunch fund. There is no segregation of duties, including no oversight, review, or approval process. We believe these deficiencies constitute material weaknesses:

- A. The School Corporation Treasurer receives cash, posts cash transactions to the ledger, prepares the deposit slip, takes the deposit to the bank, and reconciles the bank account for all funds received at the School Corporation.
- B. The Assistant Corporation Treasurer receives cash, posts cash transactions to the ledger, prepares the deposit slip, takes the deposit to the bank, and reconciles the bank account for all funds received for the Special Education Co-op.
- C. The Extra-Curricular Treasurer receives cash, posts cash transactions to the ledger, prepares the deposit slip, takes the deposit to the bank, and reconciles the bank account for all funds received for the School Lunch fund.
- D. The Extra-Curricular Treasurer issues checks, records the disbursements, and reconciles the bank account for the School Lunch fund.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement 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 financial transactions and reporting. 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.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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)

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-002 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING***

Federal Agency: Department of Education

Federal Programs: Special Education - Grants to States and Special Education - Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers: 14212-051-PN01, 14213-051-PN01, 14214-051-PN01, 99914-051-TA01, 5251-A58-3-13DL-0039, 5252-A58-3-13DL-0123, 5253-A58-3-13DL-0064, 5254-A58-3-13DL-0091, 5255-A58-3-13DL-0065, 5256-A58-3-13DL-0092, 5257-A58-3-13DL-0126, 5258-A58-3-13DL-0099, 5250-A58-3-13DL-1449, 54712-051-PN01, 54713-051-PN01, 54714-051-PN01

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 and Reporting compliance requirements that have a direct and material effect on the programs.

Requests for reimbursement reports were required to be submitted to receive grant funding. Requests are prepared by the Special Education Co-op Treasurer and properly filed with the Indiana Department of Education. However, the reports are not verified by anyone prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

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.

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-003 - INTERNAL CONTROL OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Number (or Other Identifying Number): 6630

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed, Allowable Costs, Equipment and Real Property Management, Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements. The failure to establish an effective internal control system placed 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 programs.

*Activities Allowed, Allowable Costs*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that expenditures were for an allowable activity or for allowable costs of the programs. Vendor expenditures from the School Lunch fund were approved and paid solely by the Extra-Curricular Treasurer (ECA) without an oversight, review, or approval process. Payroll expenditures were paid at the School Corporation based on a spreadsheet documenting the time and effort of personnel. After processing payroll, the School Corporation returned a payroll distribution report to the ECA; however, no review of the distribution report was documented. There were no segregation of duties, such as oversight, review, or an approval process.

*Equipment and Real Property Management*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that equipment purchased with federal program funds was properly recorded in the School Corporation's capital asset records.

*Eligibility*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that determinations of eligibility for free and reduced price meals were accurate. There was no segregation of duties, such as an oversight, review, or approval process.

*Reporting*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that all required reports were accurate. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the verifications of free and reduced price meal applications were accurately determined. An oversight, review, or approval process had not been established.



WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. Non-compliance with 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.

***FINDING 2014-004 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number (or Other Identifying Number): 6630  
Pass-Through Entity: Indiana Department of Education

***Internal Controls***

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Cash Management. 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 programs.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to three months' average expenditures in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances.

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

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 programs. 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.

*Compliance*

The cash balance in the School Lunch fund exceeded average expenditures for three months for 23 out of 24 months of the audit period. For the 2012-2013 school year, the average expenditures for three months was \$135,776, the average monthly cash balance was \$363,942. For the 2013-2014 school year, the average expenditures for three months was \$200,781, the average monthly cash balance was \$293,979.

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 220.7(e)(iv) states: "Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency"

7 CFR 210.14(b) states in part: "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 or such other amount as may be approved in accordance with §210.19(a); . . ."

The failure to establish internal controls enabled noncompliance to go undetected. Noncompliance with 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 the Cash Management requirements. In addition, we recommended that the School Corporation comply with the Cash Management requirements.

***FINDING 2014-005 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Number (or Other Identifying Number): 6630  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Special Tests and Provisions - Paid Lunch Equity. The failure to establish an effective internal control system places the School

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that paid lunch equity was properly determined and implemented, or that supporting documentation for compliance with paid lunch equity was retained for audit. There was no segregation of duties, such as an oversight, review, or approval process.

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.

*Compliance*

The School Corporation did not comply with the paid lunch equity requirements. The School Corporation did not complete the required paid lunch equity calculations and retain the written calculations for audit for the 2013-2014 school year. We could not determine if the requirements for paid lunch equity were met for that school year because of the lack of documentation provided for audit.

7 CFR 210.14(e) states in part:

*"Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section

...

7 CFR 210.15 states in part:

"(b) *Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in §210.14(e); . . ."

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 enabled material noncompliance to go undetected. The failure to comply with 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 to ensure compliance and comply with the Special Tests and Provisions - Paid Lunch Equity requirements of the program.

# West Central School Corporation

117 E. Montgomery Street  
P.O. Box 578  
Francesville, IN 47946

"Encourage Every Student Every Day" \*Engage \*Empower \*Educate

---

Phone 219-567-9161  
Fax 219-567-9761

## CORRECTIVE ACTION PLAN

### FINDING 2014-001

Contact Person Responsible for Corrective Action: Don Street and Pam Ledford  
Contact Phone Number: 219-567-9161

Description of Corrective Action Plan:

Another employee in the office will review deposit slip, deposit at the bank, and review reconciliation of bank account. This will be for the West Central School Corporation and the Co-op.

Another employee will review deposit slip, deposit at the bank, and review reconciliation of School Lunch Fund maintained in the extra-curricular account. Also, disbursement documentation will be reviewed by another employee prior to issuing the check.

A review of the internal control system will be conducted.

Anticipated Completion Date: February 15, 2015

### FINDING 2014-002

Contact Person Responsible for Corrective Action: Don Street and Pam Ledford  
Contact Phone Number: 219-567-9161

Description of Corrective Action Plan:

We will improve our system of internal control by having All Requests for Reimbursements reviewed and signed by the treasurer or assistant treasurer prior to submission.

Anticipated Completion Date: February 15, 2015

  
\_\_\_\_\_  
Superintendent

  
\_\_\_\_\_

# **West Central School Corporation**

117 E. Montgomery Street  
P.O. Box 578  
Francesville, IN 47946

**"Encourage Every Student Every Day" \*Engage \*Empower \*Educate**

---

Phone 219-567-9161  
Fax 219-567-9761

## **CORRECTIVE ACTION PLAN**

### **FINDING 2014-003 – INTERNAL CONTROL OVER THE CHILD NUTRITION CLUSTER**

Contact Person Responsible for Corrective Action: Don Street, Pam Ledford, Extra-curricular treasurer, and Jessica Murray.  
Contact Phone Number: 219-567-9161

#### **Description of Corrective Action Plan:**

Vendor disbursement documentation will be reviewed by another employee prior to issuing the check. Payroll expenditures will be reviewed by another employee prior to issuing the check.

A review of the internal control system will be conducted.

General Fixed asset accounting practices shall be handled in accordance with the guidelines of the State Board of Accounts. Individual items with an original value of more than \$5,000 shall be recorded. The general fixed asset accounting information shall be updated annually by the building principal, reviewed by another employee and submitted to the Superintendent's office.

Another employee in the school will review determinations of eligibility for free and reduced priced meals are accurate.

Another employee in the school will review verifications for free and reduced priced meals for accuracy.

Another employee will review all required reports are accurate before submitting.

Anticipated Completion Date: July 1, 2016

### **FINDING 2014-004 – CASH MANAGEMENT**

Contact Person Responsible for Corrective Action: Don Street, Pam Ledford, Extra-Curricular Treasurer, and Jessica Murray  
Contact Phone Number: 219-567-9161

Description of Corrective Action Plan:

The cafeteria manager and treasurer will review the three months' average expenditures in compliance with Cash Management requirements.

A review of the internal control system will be conducted.

Plans on maintaining the three months' average expenditures will be developed by the cafeteria manager and superintendent every three months.

Anticipated Completion Date: June 1, 2016

FINDING 2014-005 – SPECIAL TESTS & PROVISIONS – PAID LUNCH EQUITY

Contact Person Responsible for Corrective Action: Don Street, Pam Ledford, Extra-Curricular Treasurer, and Jessica Murray  
Contact Phone Number: 219-567-9161

The cafeteria manager will maintain the required lunch equity calculations and retain the written calculations. The extra-curricular treasurer shall review the required lunch equity calculations.

Anticipated Completion Date: June 1, 2016

Don Street  
Superintendent

5/11/2016  
5/11/16

WEST CENTRAL SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 5, 2015, with Pamela S. Ledford, Treasurer; Don Street, Superintendent of Schools; and Jim Bergens, President of the School Board.

The contents of this report were discussed on May 11, 2016, with Don Street, Superintendent of Schools; Pamela S. Ledford, Treasurer; Todd Miller, School Board member; and Jessica Murray, Food Service Director.