

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
WELLS COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
03/20/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brad Yates	07-01-12 to 06-30-15
Superintendent of Schools	Wayne Barker	07-01-12 to 06-30-15
President of the School Board	Kent L. Park Daryl L. Elliott Brent Hiday	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15



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TO: THE OFFICIALS OF THE BLUFFTON-HARRISON METROPOLITAN
SCHOOL DISTRICT, WELLS COUNTY, INDIANA

This report is supplemental to our audit report of the Bluffton-Harrison Metropolitan School District (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 18, 2015

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
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.

During the audit of the SEFA, we noted the following errors for the 2012-2013 school year: School Breakfast Program and National School Lunch Program, including Commodities were omitted, totaling \$385,233, Title I Grants to Local Educational Agencies was underreported by \$50,895, Career and Technical Education - Basic Grants to States was underreported by \$71,776, Tech-Prep Education was underreported by \$8,452, English Language Acquisition State Grants was underreported by \$2,633, and the Education Jobs Fund was underreported by \$6,046. We noted the following errors for the 2013-2014 school year: School Breakfast Program and National School Lunch Program, including Commodities, were omitted totaling \$424,360 and nonfederal funds were listed resulting in the schedule being overreported by \$176,002. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and indentifying number assigned by the pass-through entity shall be included.
- (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year: 12-8445, 13-8445, and 14-8445

Pass-Through Entity: Indiana Department of Education

One of the requirements for Title I Grant funding is the maintenance of time and effort logs to document employees that are paid from both Title I Grant funds and other funds for various functions. The School Corporation did not maintain these logs until April of 2014. In prior program years, there were no employees that met the requirement for maintaining time and effort logs. During the current program year, two employees were budgeted to be paid from both the School Corporation's General fund and Title I Grant funding. These two employees should have maintained time and effort logs to document the amount of their time spent on Title I activities versus their time spent on other activities. The Title I Director did not require them to maintain these logs nor did the School Corporation's internal control system detect the noncompliance of maintaining them.

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 type of 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.

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

34 CFR 80.22 states:

"(a) *Limitation on use of funds.* Grant funds may be used only for:

- (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- (2) Reasonable fees or profit to cost type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.

(b) For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a State, local, or Indian tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987."

OMB Circular A-87, Attachment B, Section 8(h), states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost 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."

Lack of time and effort logs could cause payroll to be charged to Title I programs without proper evidence of employees working on Title I projects.

We recommended that management of the School Corporation maintain the time and effort logs to document time worked on Title I activities and to establish internal controls, including segregation of duties, to ensure that all compliance requirements that have a direct and material effect to the program are complied with.



BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT

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805 EAST HARRISON STREET
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CORRECTIVE ACTION PLAN

Finding 2014-001 Internal Controls over Preparation of Schedule of Expenditures of Federal Awards

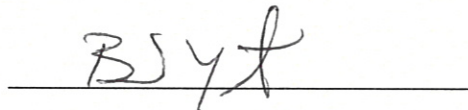
Auditee Contact Person: Brad Yates

Title of Contact Person: Assistant Superintendent / Treasurer

Phone Number: 260-824-2620

Expected Completion Date: Upon Submission of Gateway report for school year 2014-2015

Currently the Bluffton-Harrison MSD Deputy Treasurer receipts in all of the EFT's notices of the Federal Grants and I, as the treasurer of the Corporation, process the information in Gateway. Starting with the 2014-2015 Annual Report, I will have my deputy prepare the information for the report. Following its preparation, a separate member central office the personnel will verify all the information. Once the information is prepared and verified, I will also review the information prior to submission into Gateway.



February 5, 2015

Brad Yates
Assistant Superintendent
Bluffton-Harrison MSD
805 East Harrison Street
Bluffton, Indiana 46714



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CORRECTIVE ACTION PLAN

Finding 2014-002 Allowable Costs/Cost Principles

Federal Agency:	Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Federal Award Number and Year:	13-8445 14-8445
Pass-Through Entity:	Indiana Department of Education

Corrective Action: Effective immediately, Bluffton-Harrison MSD will establish Internal Controls to be in compliance with the Federal Laws. The school corporation is required to maintain time and effort reports on all full and part-time employees whose salaries are reimbursed by the grant. BHMSD uses the Department of Education recommended report titled Time Effort Log Title III. This form provides a space for employees to enter allowable hours worked each day during the month and a place to sign at the bottom to certify the reported hours represent only Title I work and are true and correct. The Preparer of the Report will verify each employee's signature on the monthly report and retain the original document or a scanned copy.

(Preparer of Report for IDOE)

Julie Meitzler

Principal / Title I Coordinator

Bluffton-Harrison Elementary School

1100 East Spring Street

Bluffton, Indiana 46714

(Treasurer of BHMSD)

Brad Yates

Assistant Superintendent

Bluffton-Harrison MSD

805 East Harrison Street

Bluffton, Indiana 46714

BLUFFTON-HARRISON METROPOLITAN SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 18, 2015, with Brad Yates, Treasurer; Wayne Barker, Superintendent of Schools; and Brent Hiday, President of the School Board.