

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ADAMS CENTRAL COMMUNITY SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED

03/31/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela S. Hawbaker Dawn M. Cook	07-01-12 to 12-31-14 01-01-15 to 06-30-15
Superintendent of Schools	Michael E. Pettibone Dr. Lori M. Stiglitz	07-01-12 to 06-30-13 07-01-13 to 06-30-15
President of the School Board	George W. Kuntzman Brian L. Tonner	07-01-12 to 12-31-13 01-01-14 to 12-31-15



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TO: THE OFFICIALS OF ADAMS CENTRAL COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the Adams Central Community Schools (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

March 9, 2015

ADAMS CENTRAL COMMUNITY SCHOOLS
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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the School Corporation had failed to report any expenditures for FY 2012/2013. Audit adjustments totaling \$1,336,586 were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. For FY 2013/2014 the SEFA had under reported \$66,856 in expenditures for National School Lunch Program; over reported \$116,859 in expenditures for Title I Grants to Local Educational Agencies; over reported \$8,278 in expenditures for Rural Education; over reported \$9,653 in expenditures for Improving Teacher Quality State Grants; and incorrectly included \$31,073 of non-federal expenditures. Audit adjustments netting a negative \$99,007 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:

- (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 identifying number assigned by the pass-through entity shall be included.

ADAMS CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (3) Provide 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 - INTERNAL CONTROLS AND COMPLIANCE
OVER CASH MANAGEMENT - CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number): 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 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 noncompliance with the requirements.

The School Corporation Food Service department maintains a cash balance in excess of federal regulations. The average 3 month expenditures of the School Corporation for the school lunch program FY 2013 and FY 2014 were \$140,411 and \$145,869, respectively. The month-end cash balances from the two year audit period ranged from \$171,446 to \$273,813. This compliance requirement was not monitored by the School Lunch Director or by any other employee of the School Corporation.

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."

ADAMS CENTRAL COMMUNITY SCHOOLS
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 cash balance maintained by the School Corporation resulted in noncompliance with program requirements that they must operate a nonprofit school food service and limit net cash resource. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal reimbursements.

We recommended that School Corporation officials implement procedures that would limit net cash resources to 3 months' average expenditures and to establish internal controls to ensure that its school food service program is operated as a nonprofit service.

***FINDING 2014-003 - INTERNAL CONTROLS AND COMPLIANCE OVER EQUIPMENT
AND REAL PROPERTY MANAGEMENT - CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number): 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 Equipment and Real Property Management compliance requirements that have a direct and material effect on the programs. There were no procedures established to ensure that equipment or property records for equipment purchased from the School Lunch fund were maintained in compliance with the Equipment and Real Property Management requirements. The failure to establish an effective internal control system allowed material non-compliance with the requirements.

The School Corporation did not maintain a listing of equipment purchased from the School Lunch fund. Equipment totaling \$27,732 purchased from the School Lunch fund was not recorded in the equipment and property records of the School Corporation. A physical inventory of the equipment was not taken. These compliance requirements were not monitored by the School Lunch Director or by any other employee of the School Corporation.

7 CFR 3016.32(d) states in part:

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

ADAMS CENTRAL COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

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."

Failure to maintain detailed and accurate property records and to reconcile physical inventory could result in equipment being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. In addition, we recommended that the School Corporation prepare and maintain accurate detailed property records and that inventories of equipment are conducted at least once every two years and reconciled to the detailed property records. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any equipment acquired with federal funds must be designated as such so that they are not disposed of improperly.

ADAMS CENTRAL COMMUNITY SCHOOLS

222 West Washington Street, Monroe, IN 46772 • Phone: 260-692-6193

OFFICE OF THE SUPERINTENDENT

Dr. Lori M. Stiglitz



Dawn Cook
Treasurer

Erica Rodewald
Deputy Treasurer

Kelli Fuhrmann
Secretary to Superintendent

CORRECTIVE ACTION PLAN

Below are responses for Adams Central Community Schools 2012-2014 Audit conducted December 28, 2014 through March 9, 2015.

I. Finding 2014-001 – INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action:

Dawn Cook, Corporation Treasurer

Contact Phone Number: (260) 692-6193

Description of Corrective Action Plan: The Corporation Treasurer will continue with the current procedures to ensure completion of the Schedule of Expenditures of Federal Awards. This Schedule was not completed for the beginning of the audit time frame of July 1, 2012; however, it has been completed in the remaining years since then.

Anticipated Completion Date: Ongoing – The Schedule of Expenditure of Federal Awards completion dates have been placed on the school calendar as an event to attend to in July and January of each year. The Treasurer will attend to this report each year and ensure its transmittal prior to the completion date.

II. Finding 2014-002 – INTERNAL CONTROLS AND COMPLIANCE OVER CASH MANAGEMENT – CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

Federal Award Number Years: FY 2012/2013, FY 2013/14

Pass Through Entity: Indiana Department of Education



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Description of Corrective Action Plan: Adams Central Community School, in accordance with the checks and balances, will implement a quarterly review for ensuring that balances of the three-month average do not exceed the maximum allowable for a non-profit entity. Excess balances will be used to update and maintain food service equipment and cafeteria facilities to ensure operational efficiency.

Anticipated Completion Date: Ongoing – Michele Barger is presently creating purchase orders for cafeteria improvement items for the spring of 2015. She and Dawn Cook will be doing quarterly reviews of balances with identification of subsequent purchases if funds permit. Dr. Stiglitz will approve purchases as necessary.

III. Finding 2014-003 – INTERNAL CONTROLS AND COMPLIANCE OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT – CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

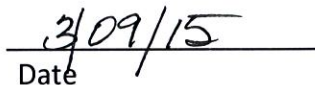
Federal Award Number Years: FY 2012/2013, FY 2013/14

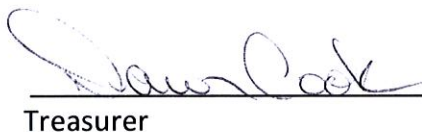
Pass Through Entity: Indiana Department of Education

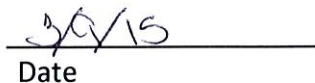
Description of Corrective Action Plan: The Superintendent will ensure that an Inventory of Capital Assets is implemented. The Treasurer will be working with each building principal and Director to ensure that the details of the inventory are completed in a timely manner.

Anticipated Completion Date: Ongoing – A completed inventory asset will be completed by December 2015 and maintained each subsequent year.


Superintendent


Date


Treasurer


Date



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ADAMS CENTRAL COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 9, 2015, with Dr. Lori M. Stiglitz, Superintendent of Schools; Dawn M. Cook, Treasurer; and George W. Kuntzman, School Board member.