

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH ADAMS SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
05/08/2015



## 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 the Preparation of the Schedule of Expenditures of Federal Awards .....	4-5
Corrective Action Plan.....	6
Exit Conference.....	7

#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca Biberstein	07-01-12 to 06-30-15
Superintendent of Schools	Scott Litwiller	07-01-12 to 06-30-15
President of the School Board	Arlene Amstutz	07-01-12 to 12-31-15



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the South Adams 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/](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

March 26, 2015

SOUTH ADAMS SCHOOLS  
FEDERAL FINDINGS

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

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipts and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
  - a. One individual is responsible for preparing the bank reconciliation. The same individual issues receipts and prepares the bank deposit.
  - b. Bank reconciliations were not being reviewed and approved by someone other than the person performing the depository reconciliations.
2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School Corporation to monitor and assess the quality of the system of internal control.

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 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 the FY 2012-2013. Audit adjustments totaling \$1,797,518 were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. For FY 2013-2014, the SEFA had overreported \$4,560 in expenditures for the School Breakfast Program; overreported \$506,712 in expenditures for the

SOUTH ADAMS SCHOOLS  
FEDERAL FINDINGS  
(Continued)

National School Lunch Program; overreported \$2,130 in expenditures for English Language Acquisition State Grants; and underreported \$147,503 in expenditures for Improving Teacher Quality State Grants. Audit adjustments totaling \$365,899 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.
- (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."



# South Adams School

1075 Starfire Way, Berne, Indiana 46711

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*Scott Litwiler*  
Superintendent

*Annette Schwartz*  
Administrative Assistant

*Rebecca Biberstein*  
Treasurer

## **CORRECTIVE ACTION PLAN**

**AUDIT PERIOD: JULY 1, 2012 – JUNE 30, 2014**

Contact Person Responsible for Corrective Action: Rebecca Biberstein(treasurer)  
Contact Information: (260) 589-3133, [bbiberstein@southadams.k12.in.us](mailto:bbiberstein@southadams.k12.in.us)

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

The South Adams Schools will correct the internal controls related to financial transactions and reporting by creating review procedures and documentation for receipts and cash investments and bank reconciliation. The role of the reviewer will be assigned to the appropriate personnel in the South Adams Schools Administrative Office. The reviewer will have a monthly checklist to insure the internal review and checks and balances are in place. South Adams will utilize this plan immediately. A new clerk position has been filled and this person has begun balancing the monthly bank statement.

### **FINDING 2014 -002 – INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The South Adams Schools will correct the internal controls related to Schedule of Expenditures of Federal Awards immediately by having a reviewer conduct a biannual checklist of Federal Awards and sign off confirming the completion and timely submission. The treasurer will execute these reports and ensure the transmittals are submitted prior to the due date.

*Scott Litwiler*  
\_\_\_\_\_  
Superintendent

*3-26-15*

\_\_\_\_\_  
Date

*Rebecca Biberstein*  
\_\_\_\_\_  
Treasurer

*3/26/15*

\_\_\_\_\_  
Date



SOUTH ADAMS SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2015, with Scott Litwiller, Superintendent of Schools; Rebecca Biberstein, Treasurer; and Arlene Amstutz, President of the School Board.