

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
MONTGOMERY COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
05/08/2015



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	J. Scott Bowling Cathy Moffett	07-01-12 to 06-30-14 07-01-14 to 06-30-15
Superintendent of Schools	Dr. Kathleen J. Steele J. Scott Bowling	07-01-12 to 06-30-14 07-01-14 to 06-30-15
President of the School Board	Dale L. Petrie	07-01-12 to 06-30-15



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CRAWFORDSVILLE COMMUNITY SCHOOL  
CORPORATION, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Crawfordsville Community 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 and Audit Results and Comments 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 and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

March 18, 2015

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE OVER  
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer prepares the SEFA without oversight, review, or approval by another individual. 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 following errors:

1. For the year ended June 30, 2013, amounts reported represented disbursements, rather than receipts. This resulted in an understatement of more than \$300,000.
2. For the year ended June 30, 2014, amounts were omitted for the National School Lunch Program, Adult Education - Basic Grants to States, Career and Technical Education - Basic Grants to States, and one distribution from Special Education - Grants to States. This resulted in an understatement in excess of \$1,200,000.
3. For the year ended June 30, 2014, amounts were not presented by program year.

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 in part:

"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:

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
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 identifying number assigned by the pass-through entity shall be included.
- (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.  
. . .
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program."

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipts. The Treasurer receives the Electronic Funds Transfer notices and posts the receipts to the correct fund. There is no review process in place to ensure the accuracy of this process. 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.
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)

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-003 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): A58-3-13DL-0088 and  
A58-3-13DL-1422

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 for the Special Education Improvement Awards of the program. The School Corporation did not have controls in place to ensure that a physical inventory was taken and that the equipment purchased was included on the capital asset records.

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 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.



CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-004 - REPORTING***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program and National School Lunch Program  
CFDA Numbers: 10.553 and 10.555  
Federal Award Number and Years: FY 2012-2013 and FY 2013-2014  
Pass-Through Entity: Indiana Department of Education

Management of School Corporation has not established an effective internal control system related to the grant agreement and the reporting compliance requirements of the programs. 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. The School Corporation did not establish adequate controls to ensure that documentation to support the number of meals claimed for reimbursement or to support the annual financial reports were retained.

Supporting documentation was not retained for reimbursement requests or annual financial reports. The School Lunch accounting system was changed in August 2013 and the previous system could not be accessed. The School Corporation eventually obtained supporting documentation from other sources to support the reports selected for testing.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that 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.

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 noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements of the programs 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 Reporting requirements of the program.

***FINDING 2014-005 - SPECIAL TESTS AND PROVISIONS***

Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Years: FY 2012-2013 and FY 2013-2014  
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 paid lunch equity compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirements to remain undetected.

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Each year, the School Corporation received a letter from the Indiana Department of Education stating the current weighted average price and the required weighted average price. For the 2012-2013 school year, the School Corporation increased lunch prices by 5 cents. This increased the weighted average price of \$2.01 to \$2.06 which met the requirement. For the 2013-2014 school year, the School Corporation also increased lunch prices by 5 cents. This increased the weighted average price of \$2.06 to \$2.11; however, the required price for 2013-2014 was \$2.15. The School Corporation increased the High School and Middle School prices to \$2.15; however, since the elementary schools have a lower lunch price, the weighted average price did not meet the requirement.

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 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 . . .

(3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

- (i) 2 percent; and
- (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(4) *Price Adjustments.*

- (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.
- (ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
- (iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents . . .

(6) *Additional considerations.*

- (i) In any given year, if a school food authority with an average price lower than the reimbursement difference is not required by paragraph (e)(4)(ii) of this section to increase its average price for paid lunches, the school food authority shall use the unrounded average price as the basis for calculations to meet paragraph (e)(3) of this section for the next school year."

Failure to comply with paid lunch equity requirements could result in sanctions from the grantor or pass-through agency.

We recommended that the School Corporation implement controls to ensure compliance with, and comply with, the requirements for paid lunch equity.

# Crawfordsville Community School Corporation

1000 Fairview Avenue, Crawfordsville, IN 47933 Phone: 765-362-2342 Fax: 765-364-

3237

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J. Scott Bowling Ed.S.  
Superintendent of Schools  
Rex Ryker Ed.S.  
Assistant Superintendent

Cathy Moffett, Treasurer  
Linda Ross, Accounts Payable  
Heather Ford, Payroll  
Betsy Haman, Administrative Secretary

## CORRECTIVE ACTION PLAN

### ***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

Contact Person Responsible for Corrective Action: Cathy Moffett  
Contact Phone Number: 765-362-2342

Description of Corrective Action Plan:

1. Since this was a new report procedures will be put in place to better familiarize what information is required and to ensure that it is properly reported.
2. After the report is finished it will be reviewed by the Superintendent.

Anticipated Completion Date: 2015 report due date

### ***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

Contact Person Responsible for Corrective Action: Cathy Moffett  
Contact Phone Number: 765-362-2342

Description of Corrective Action Plan:

1. Run a monthly receipt report showing where all receipts were posted.
2. Include the report in the monthly reports given to the Superintendent.

Anticipated Completion Date: 04/01/2015

### ***FINDING 2014-003 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Contact Person Responsible for Corrective Action: Cathy Moffett  
Contact Phone Number: 765-362-2342

Description of Corrective Action Plan:

1. Work with IT department to identify equipment purchased with Federal monies
2. Work with schools to identify equipment purchased with Federal monies.
3. Using the form provided by the auditors fill out information on equipment purchased by Federal Grant monies.
4. Put in to place procedures so future purchases of equipment will be reported properly.

Anticipated Completion Date: 06/30/2015

**FINDING 2014-004 - REPORTING**

Contact Person Responsible for Corrective Action: Rex Ryker  
Contact Phone Number: 765-362-2342

1. Description of Corrective Action Plan: The school corporation will require the Food Service Management Company to submit annual financial reports with appropriate documentation to the school corporation for approval prior to submitting them to the appropriate state or federal entities.
2. The school corporation will require the Food Service Management Company to submit reimbursement claims and supporting documentation to the school corporation on a monthly basis. The Food Service Management Company will also be required to retain this documentation.


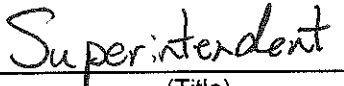
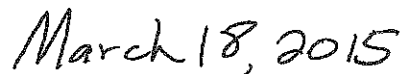
Anticipated Completion Date: 04/01/15

**FINDING 2014-005 – SPECIAL TESTS AND PROVISIONS**

Contact Person Responsible for Corrective Action: Rex Ryker  
Contact Phone Number: 765-362-2342

1. Description of Corrective Action Plan: The school corporation will require the Food Service Management Company to submit official paid lunch equity calculations on an annual basis. The school corporation will verify that all prices meet guidelines established by the Indiana Department of Education.

Anticipated Completion Date: 05/01/15

  
(Signature)  
  
(Title)  
  
(Date)

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statement presented for the School Corporation included the following funds with overdrawn cash balances at June 30, 2013 and 2014:

Funds	Amounts Overdrawn	
	June 30, 2013	June 30, 2014
Debt Service	\$ 585,954	\$ -
Ora Hudson Trust	-	147
Local Sources	-	1,496
Athletic Workers	716	1,576

A similar comment was included in prior Reports B38531 and B41941.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**ECA EDUCATIONAL FEES**

The School Corporation charged various educational fees, such as art fees, physical education locker fees, etc. The School Corporation did not obtain a written opinion from the School Corporation's attorney to verify that fees were appropriate in regards to Constitutional provisions. The Extra-Curricular Treasurer did not remit the collections of the educational fees to the School Corporation's central office for the audit period.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2015, with Cathy Moffett, Treasurer; J. Scott Bowling, Superintendent of Schools; and Dale L. Petrie, President of the School Board.