

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CLAY COMMUNITY SCHOOLS

CLAY COUNTY, INDIANA

July 1, 2012 to June 30, 2014





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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer*	Tim Gorman (Vacant)	07-01-12 to 06-30-13 07-01-13 to 10-07-13
Director of Business Affairs	Mark Shayotovich	10-08-13 to 06-30-15
Superintendent of Schools	Kimberly Tucker	07-01-12 to 06-30-15
President of the School Board	Rob Miller Jennifer Kaelber Rob Miller Ronald Scherb	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15

\*The Treasurer position was replaced with the Director of Business Affairs on 10-08-13.



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CLAY COMMUNITY SCHOOLS, CLAY COUNTY, INDIANA

This report is supplemental to our audit report of the Clay 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 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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, incorporated within this report, was not verified for accuracy.

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

April 2, 2015

CLAY 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 control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted that three grants were not reported; their expenditures were \$46,840 and \$28,288 for the school years 2012-2013 and 2013-2014, respectively. The 2013-2014 school year expenditures for the Title I Grants to Local Educational Agencies program were overreported by \$93,374. 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:

- (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.

CLAY COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (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***

Federal Agency: U.S. Department of Education

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

CFDA Numbers: 84.027; 84.173

Federal Award Number and Year: 14212-007-PN01; 14213-007-PN01; 14214-007-PN01

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 Allowable Costs compliance requirement. 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 have a system in place to ensure compliance with the Circular A-87 regulations for time and effort reporting. The School Corporation did not complete the required semiannual certification activity reports for Special Education program personnel for either of the fiscal years.

An internal control system 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.

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

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (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:

CLAY COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (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."

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 and procedures to ensure compliance and comply with the Allowable Costs compliance requirement of the program.



Dr. Kimberly Tucker, Superintendent  
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction  
Mr. Michael Howard, Director of Extended Services  
Mrs. Kathy Knust, Curriculum and Grants Coordinator  
Mrs. Carolyn Kumpf, Director of Personnel, Data, & Food Services  
Mr. Mark Shayotovich, Director of Business Affairs

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## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

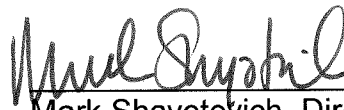
Contact Phone Number: 812-442-0610

#### Description of Corrective Action Plan

Each year, a list of all federal awards will be compiled with the assistance of the Assistant Superintendent, Director of Special Services, Curriculum and Grants Coordinator and Director of Personnel, Data and Food Services.

The director of Business Affairs will prepare the Schedule of Expenditures fo Federal Awards as required at the end of each fiscal year. The Deputy Treasurer will be provided with the list of all federal awards for the fiscal year and will review all documentation supporting the Schedule's content for accuracy and completeness prior to the Schedule's submission.

Anticipated Completion Date: July 31, 2015



Mark Shayotovich, Director of Business Affairs

April 2, 2015

Date

Dr. Kimberly Tucker, Superintendent  
Dr. Timothy Rayle, Assistant Superintendent for Curriculum & Instruction  
Mr. Michael Howard, Director of Extended Services  
Mrs. Kathy Knust, Curriculum and Grants Coordinator  
Mrs. Carolyn Kumpf, Director of Personnel, Data, & Food Services  
Mr. Mark Shayotovich, Director of Business Affairs

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## CORRECTIVE ACTION PLAN

### **FINDING 2014-002 - ALLOWABLE COSTS**

Contact Person Responsible for Corrective Action: Mark Shayotovich, Director of Business Affairs

Contact Phone Number: 812-442-0610

#### Description of Corrective Action Plan

Semi- Annual Certifications – The Director of Special Services will create an annual log of employees needing semi-annual certifications prior to the start of each school year. Special Services Secretary will create semi-annual certification documents for applicable employees and distribute to administrators at the end of each semester. Director of Special Services will collect signed certifications from administrators and cross reference to annual log. Signed semi-annual certifications will be kept in a binder in the office of the Director of Special Services. Director of Business Affairs will review binder on a semi-annual basis.

Time And Effort Reporting - The Director of Special Services will create an annual log of employees needing time and effort reporting prior to the start of each school year. The Special Services secretary will send out an email at the end of each month to each staff member that is providing services to private and home-schooled students to remind them that their time and effort logs are due. The completed time and effort logs will be received monthly and reviewed by the special services secretary and the Director of Special Services. Monthly submissions will be cross referenced to the annual log to insure completeness and will be maintained in a binder in the office of the Director of Special Services. Employees not submitting in a timely manner will be notified by email by the Director of Special Services. The Director of Business Affairs will review the binder for completeness on a semi-annual basis.

Anticipated Completion Date: January 31, 2015



Mark Shayotovich, Director of Business Affairs

April 2, 2015  
Date

CLAY COMMUNITY SCHOOLS  
AUDIT RESULT AND COMMENT

***PREPAID SCHOOL LUNCH ACCOUNT***

Receipts from students who prepay for food are receipted directly into the School Lunch fund. A separate clearing account for the prepaid food account activity has not been established as prescribed.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

CLAY COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2015, with Mark Shayotovich, Director of Business Affairs; Ronald Scherb, President of the School Board; and Carolyn Kumpf, Director of Personnel, Data, and Food Services; and on April 6, 2015, with Kimberly Tucker, Superintendent of Schools.