

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

GARRETT-KEYSER-BUTLER  
COMMUNITY SCHOOL DISTRICT  
DEKALB COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
06/24/2015



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Pamela Good	07-01-12 to 06-30-15
Superintendent of Schools	Dennis Stockdale	07-01-12 to 06-30-15
President of the School Board	Jerry Weller Wayne Funk Chris Hoeffel Terry Yarde	07-01-12 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



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GARRETT-KEYSER-BUTLER COMMUNITY  
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the Garrett-Keyser-Butler Community 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 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 and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

May 19, 2015

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program,  
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): SL 12-13, SL 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 Reporting and Eligibility compliance requirements. 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 programs.

*Eligibility*

The School Corporation has not designed or implemented adequate policies or procedures to ensure the students' eligibility for free and reduced price lunches is properly determined in compliance with the program requirements. One person is solely responsible for determining the outcome of free and reduced lunch applications. An oversight or review process has not been established to ensure accurate eligibility determinations.

*Reporting*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting the monthly reimbursement reports and the Annual Financial Report. There is no control in place to ensure that the submitted reports were accurate.

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 programs. 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 of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2014-002 - INTERNAL CONTROL OVER HEAD START CLUSTER***

Federal Agency: Department of Health and Human Services

Federal Program: Head Start

CFDA Number: 93.600

Federal Award Number and Year (or Other Identifying Number): 5CH417747, 5CH417748, 5CH417749  
Direct Grant

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Cash Management and Reporting compliance requirements. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no evidence of segregation of duties, such as an oversight or approval process.

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 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, including segregation of duties, related to the grant agreement and compliance requirements listed above.

# GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT

## TRANSFORMING EDUCATION, IMPACTING LIVES

SUPERINTENDENT  
Dennis L. Stockdale

BOARD OF EDUCATION  
Terry D. Yarde - President  
Wayne E. Funk - Vice President  
Dr. Danny E. Weimer - Secretary  
Larry Getts, Jr. - Member  
Phil P. Lemper - Member

### CORRECTIVE ACTION PLAN

#### FINDING 2014-001

Contact Person Responsible for Corrective Action: Pam Good  
Contact Phone Number: 260-357-7004

Federal Agency: U.S. Department of Agriculture  
Federal Program: National School Lunch Program, School Breakfast Program, Summer Food Service Program for Children  
CFDA Number: 10.553, 10.555, 10.559  
Federal Award Number and Year (or Other Identifying Number): SL 12-13 and SL 13-14  
Pass-Through Entity: Indiana Department of Education

#### Description of Corrective Action Plan:

Free and Reduced Lunch Applications Eligibility: Garrett-Keyser-Butler CSD has two Food Service Co-Directors. To verify eligibility status of the free and reduced applications, the Food Service Co-Director (1) will review and approve/deny the submitted applications and initial and date. After this step is completed, the Food Service Co-Director (2) will also review and approve/deny the same applications to verify, and initial and date, upon agreement. Each application will contain two signatures and dates for verification purposes, thus integrating an internal control in the process.

Program Reporting: The Food Service Co-Director (1) will prepare the monthly sponsor claim for reimbursement of meals served. This information will be generated from the school lunch software, Meal Magic. The Food Service Co-Director (1) will date and initial the completed sponsor claim. The Food Service Co-Director (2) will review the totals between Meal Magic and the sponsor claim, and date and initial the verified sponsor claim.

The Business Manager will prepare the annual financial report from the data compiled in the financial software. This will be reviewed by the Food-Service Co-Director (2), who will initial and date prior to filing with the Indiana Department of Education.

Anticipated Completion Date: Immediately

  
Signature

Business Manager/Treasurer  
Title

5/19/15  
Date

### Excellence in Education, Strength in Character



# GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT

## TRANSFORMING EDUCATION, IMPACTING LIVES

SUPERINTENDENT  
Dennis L. Stockdale

BOARD OF EDUCATION  
Terry D. Yarde - President  
Wayne E. Funk - Vice President  
Dr. Danny E. Weimer - Secretary  
Larry Getts, Jr. - Member  
Phil P. Lemper - Member

### FINDING 2014-002


Contact Person Responsible for Corrective Action: Pam Good  
Contact Phone Number: 260-357-7004

Federal Agency: Department of Health and Human Services  
Federal Program: Head Start  
CFDA Number: 93.600  
Federal Award Number and Year (or Other Identifying Number): 5CH417747, 5CH417748,  
5CH417749  
Pass-Through Entity: Direct Grant

### Description of Corrective Action Plan:

Federal Reimbursement Processing: The Business Manager will prepare the federal reimbursement using the information from the financial software. Detail of the expenditures, revenue, and fund balance will be used to determine the amount of the reimbursement. Upon completion of the Cash Request Form, the information will be submitted to the Head Start Director to initial and date upon verification. The approved form will be returned to the Business Manager to complete the request.

Anticipated Completion Date: Immediately

  
Signature

Business Manager/Treasurer  
Title

5/19/15  
Date

## Excellence in Education, Strength in Character

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Federal Single Audit report included the following funds with overdrawn cash balances at June 30, 2013, and June 30, 2014:

<u>Funds</u>	<u>Amounts Overdrawn June 30, 2013</u>	<u>Amounts Overdrawn June 30, 2014</u>
School Bus Replacement	\$ 46,945	\$ -
Construction	-	185,040
Textbook Rental	58,816	104,258

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)

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT  
EXIT CONFERENCES

The contents of this report were discussed on May 19, 2015, with Pamela Good, Business Manager/Treasurer; Dennis Stockdale, Superintendent of Schools; Terry Yarde, President of School Board; and Wayne Funk, School Board member.

The contents of this report were discussed separately on May 19, 2015, with Larry Getts, Jr., School Board member.