

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EAST NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
09/17/2015



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Craig Ream Brian A. Leitch	07-01-12 to 06-19-13 06-20-13 to 06-30-15
Superintendent of Schools	Ann W. Linson	07-01-12 to 06-30-15
President of the School Board	Barbara Babcock Dan Beall Barbara Babcock	07-01-10 to 12-31-12 01-01-13 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 EAST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the East Noble 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 Result and Comment contained herein describes 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 Finding 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

June 4, 2015

EAST NOBLE SCHOOL CORPORATION  
FEDERAL FINDING

***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 the Child Nutrition Cluster programs were not identified separately, the reported amounts were based on School Lunch fund expenditures, and commodities were not considered in reporting. Fund expenditures were reported instead of reimbursement received for the following federal programs; 84.010 (Title I Grants to Local Educational Agencies), 84.027 (Special Education - Grants to States), and 84.367 (Improving Teacher Quality State Grants). In addition, 84.318 (Educational Technology State Grants) was not reported on the SEFA. In total, the SEFA was overreported in FY 2013 by \$1,173,966 and in FY 2014 by \$625,609. 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."

EAST NOBLE SCHOOL CORPORATION  
FEDERAL FINDING  
(Continued)

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 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."



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# East Noble School Corporation

## Corrective Action Plan

### Findings 2014-001 Internal Controls over the preparation of the schedule of expenditures of Federal Awards

Auditee Contact Person: Brian Leitch  
Title of Contact Person: Business Manager  
Phone Number: 260-347-2502  
Expected Completion Date: July 31, 2015

East Noble School Corporation will develop and put into place proper procedures for the preparation and reporting of the (SEFA) Schedule of Expenditures of Federal Awards. These procedures will include but not limited to:

1. The SEFA Report will be prepared by the Deputy Treasurer. Actual Receipts will be used for Reimbursement Grants and actual expenditures will be used for any Advanced Grant.
2. For School Lunch Reporting we will use the CND-1 reports along with any non-cash assistance.
3. The SEFA report will be reviewed by the Treasurer before information is entered into the Gateway Program.

The expected completion date of these procedures is not to exceed July 31, 2015, and will be expected to become a part of our Standard Operation Procedures.

A handwritten signature in black ink, appearing to read "Brian A. Leitch", is written over a horizontal line.

April 6, 2015

Brian Leitch  
Business Manager  
East Noble School Corporation



EAST NOBLE SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

**CONDITION OF RECORDS - PROMOTION EXPENSES OF SCHOOL CORPORATION**

Financial records presented for audit indicated that the school corporation over budgeted and overspent their Promotion of School Corporation Expense Account Fund 0100 Account 23160 as follows:

<u>Budget Year</u>	<u>Actual Disbursements</u>	<u>Budgeted Disbursements</u>	<u>ADM Prior Year</u>	<u>Calculated Budget</u>
2012	\$ 4,790	\$ 3,900	\$ 3,682	\$ 3,682
2013	5,816	3,900	3,615	3,615

The Promotion Expense Account was over budgeted by \$218 and \$285 and overspent by \$1,108 and \$2,201 for the Budget years 2012 and 2013, respectively.

We also noted School Lunch and General fund expenditures of \$1,848 and \$2,275, respectively, that should have been charged to Promotion Expenses, but were charged to other expense categories.

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)

Indiana Code 20-26-5-4(a)(3) states:

"To appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars (\$3,000) per budget year or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (\$12,500), based on the school corporation's ADM of the previous year (as defined in IC 20-43-1-7) to promote the best interests of the school corporation through:

- (A) the purchase of meals, decorations, memorabilia, or awards;
- (B) provision for expenses incurred in interviewing job applicants; or
- (C) developing relations with other governmental units."

EAST NOBLE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 4, 2015, with Brian A. Leitch, Business Manager/Treasurer; Ann W. Linson, Superintendent of Schools; Mary C. Casselman, Deputy Treasurer; and Barbara Babcock, President of the School Board.