

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BLACKFORD COUNTY SCHOOLS

BLACKFORD COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
09/24/2015



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David A. Bowman Randi L. Libby	01-01-12 to 04-30-14 05-01-14 to 12-31-15
Superintendent of Schools	Kenneth R. Kline Scot D. Croner	07-01-12 to 06-30-13 07-01-13 to 06-30-16
President of the School Board	John Payne	01-01-12 to 12-31-15



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

This report is supplemental to our audit report of the Blackford County 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 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

July 7, 2015

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2014-001 - 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 were not detected.

During the audit of the SEFA, we noted the School Corporation omitted food commodities received for the Child Nutrition Cluster grants and recognized disbursements rather than receipts for the Title I Grants to Local Educational Agencies grants and the Special Education Cluster grants for the fiscal year ending June 30, 2013. During the fiscal year ending June 30, 2014, the Child Nutrition Cluster grants, a Title I Grants to Local Educational Agencies grant, a Special Education Cluster grant, and the Improving Teacher Quality State Grants were omitted. Audit adjustments of \$89,633 and \$795,622 for fiscal years ending June 30, 2013 and 2014, respectively, 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 total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

BLACKFORD COUNTY 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 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, SPECIAL TESTS AND PROVISIONS***

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): 14212-010-PN01, 14213-010-PN01,  
14214-010-PN01, 99914-10-TA01,  
FY 12-13, FY 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 the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions (Schoolwide Programs).

For the requirements of Activities Allowed or Unallowed and Allowable Costs/Cost Principles, the controls in place have not been adequately documented. The Deputy Treasurer reviews a Distribution Detail of all employees paid with Special Education funds for each payroll period to ensure that only appropriate employees were paid from Special Education funds; however, no documentation was provided for audit of the review.

For the requirement of Special Tests and Provisions, specifically, Schoolwide Programs, the controls in place were not implemented consistently. For fiscal year 2013, the School Board approved the School Improvement Plan for each school in the School Corporation. For fiscal year 2014 however, there was no approval given by the School Board for updates or revisions, based on updated testing and academic performance results, to the School Improvement Plans.

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

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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.

***FINDING 2014-003 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, REPORTING, SPECIAL TESTS AND PROVISIONS***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-0515, 13-0515, 14-0515, FY 12-13, FY 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 the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, and Special Tests and Provisions (Schoolwide Programs).

For the requirements of Activities Allowed or Unallowed and Allowable Costs/Cost Principles, the controls in place have not been adequately documented. The Deputy Treasurer reviews a Distribution Detail of all employees paid with Special Education funds for each payroll period to ensure that only appropriate employees were paid from Special Education funds; however, no documentation was provided for audit of the review. In addition, there were no controls to ensure that Time and Effort Logs were completed for substitute teachers nor were the completed logs consistently signed by a supervisor to verify accuracy.

There was a lack of segregation of duties related to the Reporting compliance requirements. The Deputy Treasurer was the sole person responsible for the preparation of the monthly Request for Reimbursement and the Annual Expenditure Reports.

For the requirement of Special Tests and Provisions, specifically, Schoolwide Programs, the controls in place were not implemented consistently. For fiscal year 2013, the School Board approved the School Improvement Plan for each school in the School Corporation. For fiscal year 2014 however, there was no approval given by the School Board for updates or revisions, based on updated testing and academic performance results, to the School Improvement Plans.



BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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 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.

***FINDING 2014-004 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-0515, 13-0515, 14-0515, FY 12-13,  
FY 13-14

Pass-Through Entity: Indiana Department of Education

The School Corporation officials did not prepare Time and Effort Logs for substitute teachers who were paid from Title I funds as required to support their time worked on the Title I program.

OMB Circular A-87, Attachment B, paragraph 8.h. states in part:

"(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."

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

"(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. . . . Such documentary support will be required where employees work on: (a) more than one Federal award, (b) A Federal award and a non-Federal award, . . ."

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

We recommended that the School Corporation prepare and maintain Time and Effort Logs for all employees paid from Title I funds.



# **BLACKFORD COUNTY SCHOOLS**

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State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, Indiana 46204-2765

## **CORRECTIVE ACTION PLAN July 7, 2015**

### **FINDING 2014 - 001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: Randi Libby  
Contact Phone Number: 765-348-7550

Description of Corrective Action Plan: The district understands the need and benefit of strong internal controls. When preparing the Schedule of Expenditures of Federal Awards (SEFA) the treasurer and deputy treasurer will review all reported information to ensure accuracy. The deputy treasurer will prepare the document(s) and the treasurer will review and approve. During completion of the SEFA the district will utilize the Catalog of Federal Domestic Assistance to verify proper name and CFDA number.

Anticipated Completion Date: Immediately

### **FINDING 2014-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, SPECIAL TESTS AND PROVISIONS**

Contact Person Responsible for Corrective Action: Randi Libby  
Contact Phone Number: 765-348-7550

Description of Corrective Action Plan: The district understands the need and benefit of strong internal controls. When preparing the monthly reimbursement reports the treasurer, payroll clerk and deputy treasurer review all reported information including payroll distribution to ensure accuracy. The payroll clerk and deputy treasurer will prepare the document(s) and the treasurer will review and approve.

The district will annually receive approval by the School Board for updates or revisions to the school improvement plans. These plans will be reviewed and updated based on academic performance results.

Anticipated Completion Date: Immediately

### **FINDING 2014-003 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, REPORTING, SPECIAL TESTS AND PROVISIONS**

Contact Person Responsible for Corrective Action: Randi Libby  
Contact Phone Number: 765-348-7550

Description of Corrective Action Plan: The district understands the need and benefit of strong internal controls. When preparing the monthly reimbursement reports the treasurer, payroll clerk and deputy treasurer review all reported information including payroll distribution to ensure accuracy. The payroll clerk and deputy treasurer will prepare the document(s) and the treasurer will review and approve.

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Dr. Scot Croner  
Superintendent

Mrs. Randi Libby  
Executive Treasurer

Dr. James Trinkle II  
Coordinator of Special  
Education



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The district will annually receive approval by the School Board for updates or revisions to the school improvement plans. These plans will be reviewed and updated based on academic performance results

Anticipated Completion Date: Immediately

## FINDING 2014-004 – ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Randi Libby

Contact Phone Number: 765-348-7550

Description of Corrective Action Plan: The district understands the requirement for split funded positions to have a time and effort log for any one person paid from multiple funds. The district will ensure each split funded employee will complete a time and effort log. The building principal will review and approve for payroll. The payroll clerk will prepare payroll documentation along with all split distributions. Once l be reviewed and the treasurer will approve.

Anticipated Completion Date: Immediately

*Randi Libby*  
(Signature)

Executive Treasurer

(Title)

07/07/2015

(Date)

Dr. Scot Croner  
Superintendent

Mrs. Randi Libby  
Executive Treasurer

Dr. James Trinkle II  
Coordinator of Special  
Education

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***COLLECTIVE BARGAINING AGREEMENT***

The collective bargaining agreement for 2014-2015 between Blackford County Schools and the Blackford Federation of Teachers contained the following prohibited items:

1. Unpaid leave policies not pertaining to Federally mandated leave such as FMLA.
2. Return from leave provisions.
3. Rights of the exclusive representative.
4. Mileage reimbursements.
5. Boilerplate contract terms not authorized by statutes, such as supremacy and a savings clause.

Indiana Code 20-29-6-4 states:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1.5, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 20-29-6-4.5 states in part:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following: . . .

(5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

***COLLECTIVE BARGAINING AGREEMENT POSTING DATE***

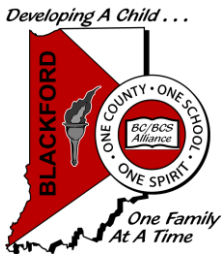
The School Corporation did not post the collective bargaining agreement on the School Corporation's website. The School Board approved the collective bargaining agreement with the Blackford Federation of Teachers on August 19, 2014.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

***RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS***

Reconcilements between the School Lunch program subsidiary ledgers (student account balances) and the control account on the School Corporation's ledger (Prepaid Cafeteria Fund) were not performed during the audit period.

Subsidiary ledger balances must reconcile to the control ledger fund balance. Every transaction should be posted to the control ledger and to the appropriate subsidiary ledger. Fund balances should reconcile between the control ledger and the subsidiary ledger. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)



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July 7, 2015

## **COMMENT: COLLECTIVE BARGAINING AGREEMENT**

The district will comply with all Federal, State and Local laws when finalizing the agreement with the Teacher's Union.

Anticipated Completion Date: 09/01/2015

## **COMMENT: COLLECTIVE BARGAINING AGREEMENT POSTING DATE**

The district will ensure the Collective Bargaining Agreement will be posted on the Blackford County Schools website ([www.bcs.k12.in.us](http://www.bcs.k12.in.us)) no later than 14 days after both parties have reached an agreement.

Anticipated Completion Date: 09/01/2015

## **RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS**

The district has prepared a plan to move forward with reconciliation of the prepaid student meals accounts. Each transaction will be posted to the ledger and the subsidiary ledger. The accounts with balances in which the student transfers out will remain in an outstanding lists to calculate the reconciliation.

Anticipated Completion Date: 09/01/2015

Sincerely,

Randi Libby  
Treasurer

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Dr. Scot Croner  
Superintendent

Mrs. Randi Libby  
Executive Treasurer

Dr. James Trinkle II  
Coordinator of Special  
Education

BLACKFORD COUNTY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2015, with Randi L. Libby, Treasurer; David A. Bowman, former Treasurer; Scot D. Croner, Superintendent of Schools; and John Payne, President of the School Board.