

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CENTERVILLE-ABINGTON COMMUNITY SCHOOLS

WAYNE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
09/25/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tyna M. Stover	01-01-12 to 12-31-15
Superintendent of Schools	Philip S. Stevenson	07-01-11 to 06-30-17
President of the School Board	Timothy A. Eadler Bradley J. Lambright	01-01-13 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CENTERVILLE-ABINGTON
COMMUNITY SCHOOLS, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Centerville-Abington 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 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/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

August 11, 2015

CENTERVILLE-ABINGTON COMMUNITY 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 Treasurer prepared and submitted the SEFA through the Gateway system. However, there was no additional oversight of the SEFA information. 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 a data entry error made when reporting the federal schedule caused amounts for all grants to be omitted on the SEFA for FY 2013/2014. Audit adjustments of \$985,411 for FY 2013/2014 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.

CENTERVILLE-ABINGTON 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 - CASH MANAGEMENT

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program and National School Lunch Program

CFDA Number: 10.553 and 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2013 and FY2014

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 requirement: Cash Management. 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.

The School Corporation Food Service Department maintains a cash balance in excess of federal regulations. The average three month expenditures of the School Corporation for the school lunch program for fiscal years 2013 and 2014 were \$201,883 and \$215,805, respectively. The month-end cash balances from the two year audit period ranged from \$249,558 to \$295,376.

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(b) states:

"The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State Agency . . ."

CENTERVILLE-ABINGTON COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The cash balance maintained by the School Corporation results in noncompliance with program requirements that they must operate a nonprofit school food service and limit net cash resource. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal reimbursements.

We recommended that School Corporation officials establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above and implement procedures that would limit net cash resources to 3 months' average expenditures and to ensure that its school food service program is operated as a nonprofit service.



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CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action:
Tyna Stover, Corporation Treasurer

Contact Phone Number: 765-855-3475

Description of Corrective Action Plan: The data entry error on the Schedule of Expenditures of Federal Awards (SEFA) was due to misunderstanding of the mechanics of the report. After receiving clarification of the data flow, data entry will be correct on the SEFA. To ensure accuracy the SEFA will be verified by the Deputy Treasurer and Superintendent.

Anticipated Completion Date: August 29, 2015 and each subsequent year with the preparation of the SEFA.

FINDING 2014-002 – CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program
CFDA Number: 10.553 and 10.555
Federal Award Number and Year: FY 2013 and FY2014
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action:
Mark Campbell, Assistant Superintendent

Contact Phone Number: 765-855-3475

Description of Corrective Action Plan: Centerville-Abington Community Schools, in accordance with the checks and balances, will continue a quarterly review and report to the Board of Trustees and implement a plan of action whenever the balances of the three-month average is projected to exceed or does exceed the three-month average of expenditures. Based upon the July 31, 2015 fund balance of \$252,454.22, the Corporation has drawn down \$35,765.11 from the fund in school year 2014-2015 (\$288,210.33 balance on August 1, 2014). The start-up expenditures for school year 2015-2016 is projected to draw down the fund below the three-month

average. Any excess funds will be used to update kitchen equipment at the Junior High and Rose Hamilton Elementary to ensure operational efficiency.

Anticipated Completion Date: Mark Campbell will be doing quarterly reports and recommendations. The fund is projected to be below the three-month average on August 31, 2015. Any excess funds will be appropriated for equipment purchases for the Junior High and Rose Hamilton Elementary kitchens.

Rp S. Johnson

Superintendent

August 11, 2015

Date

Cynthia M. Stover

Treasurer

August 11, 2015

Date

CENTERVILLE-ABINGTON COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2015, with Tyna M. Stover, Treasurer; Philip S. Stevenson, Superintendent of Schools; Alisa A. Corman, Deputy Treasurer; Mark Campbell, Assistant Superintendent of Schools; Renee Westover, School Board member; and Susan Dell Hamilton, School Board member.