

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

NORTH CENTRAL PARKE COMMUNITY  
SCHOOL CORPORATION  
PARKE COUNTY, INDIANA

January 1, 2013 to June 30, 2014



**FILED**  
03/22/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sally Wimmer Burgess Vonessia Harmon	01-01-13 to 12-08-13 12-09-13 to 12-31-15
Superintendent of Schools	Dr. Thomas W. Rohr	01-01-13 to 12-31-15
President of the School Board	Greg P. Harvey P. Scott Ramsay	01-01-13 to 12-31-13 01-01-14 to 12-31-15



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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE NORTH CENTRAL PARKE COMMUNITY  
SCHOOL CORPORATION, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the North Central Parke Community School Corporation (School Corporation), for the period from January 1, 2013 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

December 14, 2015

NORTH CENTRAL PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal controls 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors:

1. Child nutrition cluster was omitted from the schedule for both years. The total of the understatement was \$602,014.
2. For all amounts reported for January through June of 2013, there was an overstatement of \$50,417.
3. In 2013-2014, Title I amounts for program year 12-13, Rural Education amounts for FY11, and Improving Teacher Quality for 11-12 were omitted. This resulted in an understatement of \$192,628.
4. In 2013-2014, Title I amounts for program year 13-14 were overstated by \$33,660.
5. Several program names were not in agreement with the CFDA website and programs years were not always reported separately.
6. The Special Education Cluster expenditures for 12-13 were understated by \$99,077.

The total net adjustment to the SEFA was \$559,771.

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."

NORTH CENTRAL PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(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 sub recipient, 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) To the extent practical, pass-through entities should identify in the schedule the total amount provided to sub recipients from each Federal program.
- (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 - ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS***

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 12-13 and 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: Eligibility and Special Tests and Provisions - Verification of Free/Reduced Applications. 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.

NORTH CENTRAL PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Eligibility*

The eligibility determinations are completed by the Harmony system (a software program used for student management). Information is usually entered into the system by the parent. Each application is printed and kept on file, but there is no evidence of testing or review of the determination in order to verify accuracy by the School Corporation.

*Special Tests and Provisions - Verification of Free/Reduced Applications*

When a paper application was filed, the verification section was completed and signed by the verifier. When the application was filed on the Harmony system, there was evidence of the verification (proof submitted by parents and results letter), but no evidence of the person performing the verification or any evidence of controls over the accuracy of the verifications.

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.

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 type of 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 that have a direct and material effect to the programs 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.



# North Central Parke Community School Corporation

*Building Bridges to the Future*

*Thomas W. Rohr, Ph. D.*  
Superintendent

1497 E State Road 47  
Marshall, IN 47859  
Phone (765) 597-2750  
Fax (765) 597-2755

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June 16, 2015

## CORRECTIVE ACTION PLAN

### **FINDING 2014-001**

Contact Person Responsible for Corrective Action: Vonessia Harmon, Treasurer  
Contact Phone Number: 765-597-2751

#### Description of Corrective Action Plan:

The Schedule of Expenditures of Federal Awards (SEFA) was a new report that schools were required to complete per IC 5-11-1-4. At the time of completion, it was not clear what this report was to be used for and thus, was completed to the best of my knowledge at the time. The State Board of Account Auditors, during review of the SEFA, explained the report in detail and helped in understanding what to report and where to obtain the information. This left me with a better understanding of the reporting requirements for when I complete the SEFA annually.

In order to ensure the reliability of financial information and records, the following internal controls will be placed into effect for the annual reporting of the SEFA *as required by OMB Circular A-133 Subpart C, section .310(b)*:

-The Corporation Treasurer will complete the Annual Financial Report (which includes the SEFA) on Gateway as required by the Indiana State Board of Accounts.

-The Superintendent will review the AFR (including SEFA) and supporting documents for accuracy and proper reporting.

#### Anticipated Completion Date:

August 2015; *upon the next submission of the Annual Financial Report (including the Schedule of Expenditures of Federal Awards)*

### **FINDING 2014-002**

Contact Person Responsible for Corrective Action: Cheryl Jones, Food Service Director  
Contact Phone Number: 765-569-4308

#### Description of Corrective Action Plan:

North Central Parke Schools has reviewed current procedures and will immediately implement a proper review and verification process of free and reduced lunch applications.

The North Central Parke Food Service Director will implement adequate policies and procedures to ensure that students' Free & Reduced lunch applications are verified in compliance with program requirements. The Food Service director will review and approve applications, as well as

conduct a verification of a sample of approved applications each year. The verifications will be initialed and dated.

For proper segregation of duties, an additional food service employee will review the above mentioned processes to ensure accuracy and proper verification of the Free & Reduced applications. The verification reviews will be initialed and dated.

Anticipated Completion Date: Effective Immediately; June 16, 2015

Worussia Harmon  
(Signature)

Treasurer  
(Title)

6/16/2015  
(Date)

NORTH CENTRAL PARKE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
School Pension Bond	2013	\$ 1,100

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**ECA EDUCATIONAL FEES**

The School Corporation charges various educational fees, such as art fees, physical education locker fees, etc. The School Corporation did not obtain a written opinion from the School Corporation's Attorney to verify fees were appropriate in regards to the Constitutional provisions.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

NORTH CENTRAL PARKE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**TEXTBOOK RENTAL RATES**

Turkey Run Elementary School and Rockville Elementary School charged in excess of 25 percent of the retail price for the reading books that were adopted for the 2013-2014 school year.

Indiana Code 20-26-12-2 states in part:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials."

**PREPAID LUNCH ACCOUNT RECONCILIATIONS**

The School Corporation has not been using a school lunch clearing account. This account is necessary in order to maintain a control of the prepaid student account balances. Student account balances should be reconciled to the control monthly.

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 Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Administrator and Uniform Compliance Guidelines Vol.183)

NORTH CENTRAL PARKE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 14, 2015, with Dr. Thomas W. Rohr, Superintendent of Schools; and Vonessia Harmon, Treasurer; and by phone with P. Scott Ramsay, President of the School Board.