

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CRAWFORD COUNTY COMMUNITY
SCHOOL CORPORATION
CRAWFORD COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
01/28/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2014-001 - Preparation of the Schedule of Expenditures of Federal Awards	4-5
Finding 2014-002 - Cash Management and Reporting	5-6
Finding 2014-003 - Cash Management, Reporting, and Special Tests and Provisions - Comparability	6
Finding 2014-004 - Cash Management and Reporting	7-8
Corrective Action Plan.....	9
Audit Result and Comment:	
Collective Bargaining Agreement	10
Exit Conference	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Martha Stroud Tina Key	07-01-12 to 12-31-13 01-01-14 to 06-30-16
Superintendent of Schools	Dr. Mark Eastridge (Vacant) Dr. Elmer Shelby (Interim) W. Garry DeRossett	07-01-12 to 06-30-14 07-01-14 to 08-29-14 08-30-14 to 12-31-14 01-01-15 to 06-30-18
President of the School Board	Tim Jellison Lucas Stroud Dennis Talley Traci Kerns	01-01-12 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

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

TO: THE OFFICIALS OF THE CRAWFORD COUNTY COMMUNITY
SCHOOL CORPORATION, CRAWFORD COUNTY, INDIANA

This report is supplemental to our audit report of the Crawford County Community 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 the Audit Result and Comment 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 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

November 5, 2015

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
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 could remain undetected.

During the audit of the SEFA, we noted the following errors: (1) several federal grants were not reported and several grants were reported for the incorrect amount; and (2) pass-through agency, federal program titles, and pass-through entity (or other) identifying numbers were not always correct. 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."

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.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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 AND REPORTING

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

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 related to the grant agreement for the following compliance requirements: Cash Management and Reporting.

Documentation was not presented for audit which would ensure that the School Corporation verified that the amounts requested for reimbursement were expended from local funds prior to requesting reimbursement. There was also no evidence of review of the reimbursement request for accuracy prior to submission of the request to Indiana Department of Education.

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.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(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 2014-003 - CASH MANAGEMENT, REPORTING, AND
SPECIAL TESTS AND PROVISIONS - COMPARABILITY***

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): FY 2011-2012, FY 2012-2013,
FY 2013-2014

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: Cash Management, Reporting, and Special Tests and Provisions - Comparability.

Documentation was not presented for audit which would ensure that the School Corporation verified that the amounts requested for reimbursement were expended from local funds prior to requesting reimbursement. There was no evidence of review of the reimbursement request for accuracy prior to submission of the request to the Indiana Department of Education. There was also no evidence of review of the comparability report for accuracy prior to submission to the Indiana Department of Education.

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.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2014-004 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States and Special Education_Preschool Grants

CFDA Number: 84.027 and 84.173

Federal Award Number and Year (or Other Identifying Number): 14212-056-PN01; 14213-056-PN01;
14214-056-PN01; 99914-056-PN01;
45712-056-PN01; 45713-056-PN01;
and 45714-056-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation is a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operates the Special Education Program on behalf of the School Corporation and manages the Special Education grant funds.

Management of the Cooperative has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

Cash Management

The Cooperative had established procedures to ensure expenditures were incurred and/or paid prior to requesting the reimbursement. The procedures were that the reimbursement request was to be supported by an expenditure or appropriation report and reviewed by the Director. However, these controls were not properly implemented or effective because the Cooperative claimed and received reimbursement of expenditures which were not incurred and/or paid to the date of claiming the reimbursement. Instances were noted where expenditure reports generated for the period were either for more or less than amounts claimed for reimbursement. Also, the Total Expenses to Date shown on the reimbursement request forms were all more than the amount of shown on the expenditure reports. Examination of supporting documentation for six reimbursement claims showed all six where the supporting documentation did not agree with the amounts requested. Inaccurate reimbursement requests resulted in unexpended grant funds being on hand at months end during the audit period for the various Special Education grants.

Reporting

The Cooperative had established procedures to ensure that reports were filed accurately. The procedures when submitting a report were that the report was to be supported by an expenditure or appropriation report and reviewed by the Director. However, these controls were not properly implemented or effective because the Cooperative submitted Reimbursement Request Forms requesting a reimbursement for expenses for each month and Final Reports for the completion of the grants that were not accurate and they did not have reports to back up the total expenditures reported on the final reports. Supporting documentation for four out of four reimbursement requests tested and one out of two final reports tested did not agree with the Cooperative's records. Inaccurate reimbursement requests resulted in unexpended grant funds being on hand.

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."

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 80.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. . . .

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

31 CFR 205.12(b) states in part: "(5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure that reimbursement basis grant expenditures are paid prior to the date that the reimbursement is claimed and amounts claimed and reported agree to supporting documentation in accordance with Cash Management and Reporting requirements.

CORRECTIVE ACTION PLANS

FINDING 2014 – 001

Contact Person Responsible for Corrective Action: James Smith, Business Manager
Contact Phone Number: 812-365-2135

Description of Corrective Action Plan: Each year, the Business Manager will prepare a list of all federal awards and will complete the Schedule of Expenditures for Federal Awards as required at the end of each fiscal year. The Assistant Treasurer will be provided with the list of all federal awards for the fiscal year and will review all documentation supporting the Schedule's content for accuracy and completeness prior to the Schedule's submission. Anticipated Completion Date: July 31, 2015

FINDING 2014 – 002

Contact Person Responsible for Corrective Action: Pamela Nemeth, Assistant Treasurer
Contact Phone Number: 812-365-2135

Description of Corrective Action Plan: With every cash request, the Assistant Treasurer will print out the necessary supporting documentation from our financial software to determine the exact expenditures that may be requested for reimbursement. The report, along with the completed reimbursement form, will be given to the Business Manager for review. Once the Business Manager reviews and concurs that the funds were previously expended, the Business Manager will sign the reimbursement request form and return it to the Assistant Treasurer. The Assistant Treasurer will then make any necessary corrections, sign, and send in the request. The requested amount will be verified with the Treasurer once the payment is received. A monthly report will also be given to the Grant Director. Anticipated Completion Date: Effective Immediately

FINDING 2014 – 003

Contact Person Responsible for Corrective Action: Pamela Nemeth, Assistant Treasurer
Contact Phone Number: 812-365-2135

Description of Corrective Action Plan: With every cash request, the Assistant Treasurer will print out the necessary supporting documentation from our financial software to determine the exact expenditures that may be requested for reimbursement. The report, along with the completed reimbursement form, will be given to the Business Manager for review. Once the Business Manager reviews and concurs that the funds were previously expended, the Business Manager will sign the reimbursement request form and return it to the Assistant Treasurer. The Assistant Treasurer will then make any necessary corrections, sign, and send in the request. The requested amount will be verified with the Treasurer once the payment is received. A monthly report will also be given to the Grant Director.

Anticipated Completion Date: Effective Immediately

FINDING 2014 – 004

Contact Person Responsible for Corrective Action: Pamela Nemeth, Assistant Treasurer
Contact Phone Number: 812-365-2135

Description of Corrective Action Plan: The School Corporation has established procedures to ensure expenditures are incurred and/or paid prior to requesting the reimbursement and that reports will be filed accurately. Reimbursement requests and reports will be supported by expenditure or appropriation report and reviewed by the Special Education coop director and the school corporation Assistant Treasurer before submission. This will ensure that reimbursement grant expenditures are paid prior to the date that the reimbursement is claimed and amounts claimed and reported agree to supporting documentation in accordance with Cash Management and Reporting requirements.

Anticipated Completion Date: Effective Immediately

Signature: _____

Title: _____

Date: _____

James Smith

Business Manager

11/5/15

Signature: _____

Title: _____

Date: _____

Pamela Nemeth

Assistant Treas.

11/5/15

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement for 2014-2015 contained travel reimbursement, which is not an allowed component of a collective bargaining agreement.

During the audit period, Indiana Code 20-29-6-4 stated:

"(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."

During the audit period, Indiana Code 20-29-6-4.5 stated:

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

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (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."

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2015, with Tina Key, Treasurer; W. Garry DeRossett, Superintendent of Schools; Traci Kerns, President of the School Board; Pamela Nemeth, Assistant Treasurer; and James Smith, Business Manager.

The contents of this report were also discussed on November 5, 2015, with Tina Key, Treasurer; W. Garry DeRossett, Superintendent of Schools; Lance Stroud, School Board member; Pamela Nemeth, Assistant Treasurer; and James Smith, Business Manager.