

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
DEKALB COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
01/28/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Angela M. Lockwood Lance Brauchla Stephen W. Snider	07-01-12 to 07-31-13 08-01-13 to 07-31-14 08-01-14 to 06-30-15
Superintendent of Schools	Dr. Sherry L. Grate	07-01-12 to 06-30-15
President of the School Board	Rob M. Miller Jay A. Baumgartner	07-01-12 to 12-31-12 01-01-13 to 12-31-15



STATE OF INDIANA
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TO: THE OFFICIALS OF THE DEKALB COUNTY CENTRAL
UNITED SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the DeKalb County Central United School District (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/.

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

November 17, 2015

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipts and cash and investments. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
 - a. One individual writes receipts, posts receipts, makes the bank deposit, and takes the deposit to the bank.
 - b. Bank reconciliations were not being subjected to a review or approval process.
2. Monitoring of Controls: An evaluation by the School Corporation of its system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School Corporation, to monitor and assess the quality of the system of internal control.
3. During the audit of the financial statement for FY 2013/2014, we noted the School Corporation had over reported \$1,868,989 in total cash receipts and over reported \$3,899,355 in total cash disbursements. Audit adjustments netting a positive \$2,030,366 to the June 30, 2014 total cash balance were proposed, accepted by the School Corporation, and made to the financial statement 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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2014-002 - 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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

During the audit of the SEFA, we noted the School Corporation had failed to report any expenditures for FY 2012/2013. Audit adjustments totaling \$2,860,904 were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. For FY 2013/2014, the SEFA had underreported \$146,047 in expenditures for Title I, Part A Cluster; and omitted the expenditures for the Child Nutrition Cluster, Special Education Cluster, and the English Language Acquisition State Grants. Audit adjustments totaling \$2,286,192 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.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

- (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 2014-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE TITLE I, PART A CLUSTER

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years: 12-1835, 13-1835, 14-835, 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 that have a direct and material effect to the programs: Allowable Costs, Cash Management, Reporting, and Special Test and Provisions - Private School Children.

Allowable Costs

The School Corporation has not designed or implemented adequate policies or procedures to ensure that allowable costs were properly determined in compliance with program requirements. Although more than one person is responsible for approving disbursements, costs that were not allowable were included. An oversight or review process has not been established to ensure accurate allowable costs determinations.

Cash Management, Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight or approval process.

Special Test and Provisions - Private School Children

The School Corporation has not designed or implemented adequate policies or procedures to ensure that private school children participation is monitored for compliance with program requirements. An oversight or review process has not been established to ensure proper private school children participation.

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.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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 - TITLE I, PART A CLUSTER ALLOWABLE COST REQUIREMENTS

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years: 12-1835, 13-1835, 14-1835, FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

The School Corporation has designated the five elementary schools to be eligible to receive Title I services. In the 2012-2013 school year, the School Corporation paid a Title I teacher for Cheer Coach services. The total of the payments made to the teacher from Title I funds for Cheer Coach services during the audit period was \$3,108. Cheer Coach services are not an allowable cost for Title I and is considered a questioned cost for the Title I program.

Total questioned costs in relation to the Title I grant are \$3,108.

34 CFR 80.22 states:

"(a) *Limitation on use of funds.* Grant funds may be used only for:

- (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- (2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.

(b) For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a State, local, or Indian Tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987."

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Failure to adhere to Allowable Cost compliance requirements may cause the School Corporation to be determined to be ineligible for future federal funding.

We recommended that the School Corporation ensure only allowable and properly documented disbursements are claimed for reimbursement.

FINDING 2014-005 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: 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 that have a direct and material effect to the programs: Activities Allowed, Allowable Costs, Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Test and Provisions - School Food Accounts.

Activities Allowed, Allowable Costs

The School Corporation has not designed or implemented adequate policies or procedures to ensure that activities allowed and allowable costs were properly determined to be in compliance with program requirements. One person is solely responsible for approving disbursements. An oversight or review process has not been established to ensure accurate activities allowed and allowable costs determinations.

Cash Management

The School Corporation has not designed or implemented adequate policies or procedures to ensure that cash management is monitored for compliance with program requirements. No one monitors the fund balances to ensure that the balances do not exceed the allowable limits.

Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation has not designed or implemented adequate policies or procedures to ensure that students' eligibility for free and reduced price lunches and verification of free and reduced price applications is properly determined in compliance with program requirements. One person is solely responsible for inputting applications into the computer software system which determines eligibility. One person is solely responsible for completing the verification of free and reduced price applications. An oversight or review process has not been established to ensure accurate eligibility determinations and verification of free and reduced price applications.

Program Income

The School Corporation has not designed or implemented adequate policies or procedures to ensure that program income was receipted and posted into the School Lunch fund and properly deposited into the bank account.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight or approval process.

Special Test and Provisions - School Food Accounts

The School Corporation has not designed or implemented adequate policies or procedures to ensure that school food accounts are monitored for compliance with program requirements. No one monitors the fund transactions to ensure that transactions are posted to the School Lunch fund.

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 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 2014-006 - CHILD NUTRITION CLUSTER REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Monthly Claim for Reimbursement

The Indiana Department of Education requires school corporations to submit a monthly Sponsor Claim Summary (reimbursement report) that includes the number of free, reduced price, and paid meals served to the eligible students and the number of snacks provided to students. The claim for reimbursement should be supported by the School Corporation's records for the number of free, reduced price, and paid meals served to eligible students and the number of snacks provided to students. The School Corporation could not provide sufficient supporting records to substantiate the number of meals claimed for the months tested. Therefore, the meal counts claimed could not be verified.

Annual Financial Report

The Annual Financial Report filed by the School Corporation with the Indiana Department of Education, for the fiscal years ending June 30, 2013 and 2014, did not agree with the School Corporation's financial records. The Annual Financial Report was filed using the School Extra-Curricular Account ledger which includes school lunch activity and prepaid student account activity. The report should be prepared based on the School Corporation's financial statement as presented from the School Corporation's School Lunch fund.

7 CFR 210.8(a)(5) states:

"Recordkeeping. School food authorities shall maintain on file, each month's Claim for Reimbursement and all data used in the claims review process, by school. Records shall be retained as specified in §210.23(c) of this part. School food authorities shall make this information available to the Department and the State agency upon request."

7 CFR 210.8(c) states in part:

"Content of claim. The Claim for Reimbursement shall include data in sufficient detail to justify the reimbursement claimed and to enable the State agency to provide the Report of School Program Operations required under §210.5(d) of this part. Such data shall include, at a minimum, the number of free, reduced price and paid lunches and meal supplements served to eligible children. The claim shall be signed by a school food authority official . . . "

7 CFR 3016.20(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. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract, and subgrant award documents, etc. . . . "

Noncompliance of the Reporting requirements of the programs could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation officials ensure that all required reports are prepared on an accurate basis, in accordance with the Reporting requirements, and that all records are retained in accordance with retention requirements.



CORRECTIVE ACTION PLAN

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Steve Snider
Contact Phone Number: 260-920-1011

Description of Corrective Action Plan:

1. Lack of Segregation of Duties – the district will establish segregation of duties by dividing all processes between at least two people.
2. Monitoring of Controls – where possible, controls are divided in New World. Other controls will be established to ensure proper safeguarding of processes, data, and assets.
3. The form 9 misstatement as of June 30, 2014 has already been corrected as of the December 31, 2014 form 9 submission. New bank reconciliation processes and verification reports are being established.

FINDING 2014-002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Steve Snider
Contact Phone Number: 260-920-1011

Description of Corrective Action Plan: An additional verification by someone other than the preparer will be added to the SEFA reporting process.

FINDING 2014-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE TITLE I, PART A CLUSTER

Federal Agency: Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Numbers: 84.010
Federal Award Years: FY 2012/13, FY 2013/14
Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan: An additional verification by someone other than the preparer will be added to the Title I reporting process.



FINDING 2014-004 - TITLE I, PART A CLUSTER ALLOWABLE COST REQUIREMENTS

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010 Federal Award Number and Year: FY 2012/13, FY 2013/14

Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan: An additional verification by someone other than the preparer will be added to the Title I reporting process.

FINDING 2014-005 - INTERNAL CONTROL OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT ON THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2012/2013, FY 2013/2014

Description of Corrective Action Plan: Where possible, controls are divided in New World. Other controls will be established to ensure proper safeguarding of processes, data, and assets.

FINDING 2014-006 - CHILD NUTRITION CLUSTER REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2012/2013, FY 2013/2014

Description of Corrective Action Plan: Many improvements to the food service funding have already occurred and been reviewed by SBOA auditors. The financial report and Form SA5 will be prepared by Food Service Director and reviewed by CFO.

Signature

Title

Date

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The Annual Financial Report presented for audit was not in agreement with the financial records. The records presented had been adjusted for significant posting errors after preparation of the report. There were also transactions recorded as "negative" receipts and disbursements.

The posting errors resulted in adjustments to the financial statement for the fiscal years 2013 and 2014 as follows: A \$1,868,988 decrease in cash receipts, a \$3,899,355 decrease in cash disbursements with a net effect of these adjustments increasing the June 30, 2014 cash balance \$2,030,367.

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations for February 2014 to June of 2014 did not balance and were not complete. The reconciling variance at June 30, 2014, was \$45,205.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

OVERDRAWN CASH BALANCES

The financial statement presented included the following funds with overdrawn cash balances. These funds are not reimbursable federal or state grant funds.

A similar comment appeared in prior Report B41968.

Funds	Amount Overdrawn	
	06-30-13	06-30-14
School Bus Replacement	\$ 62,592	\$ 51,783
State General Fund Loan	-	3,223
Talent Initiative (New Tech DHS)	-	169,500
Extra-Curricular Activities	50	679

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

COLLECTION OF AMOUNTS DUE

A grant of \$410,000 from a regional foundation was awarded DeKalb County Central United School District in 2011 for reimbursement of technology franchise fees. In June of 2014, \$172,400 was expended for these fees by the School Corporation; however, there was no request for reimbursement. There is a remaining available grant funding of \$141,000. As a result, the Talent Initiative (New Tech DHS) cash balance was overdrawn by \$169,500 at June 30, 2014, and remained overdrawn through December 31, 2014. The Treasurer contacted the regional foundation on April 2, 2015, and was informed that the funding is still available for reimbursement.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations Chapter 9)

SCHOOL LUNCH STAFF CHRISTMAS PARTY EXPENDITURES

Reimbursements were made to the former Food Service Director for Christmas party expenses that are considered unrelated to the operation of The School Lunch program. The table below is a compilation of the description of the expense, the amount, and date of the reimbursement:

<u>Description</u>	<u>Date of Expenditure</u>	<u>Amount</u>
Bath and Bodyworks	12-19-12	\$ 89.08
Vera Bradley	12-19-12	82.20
Vera Bradley	12-19-12	72.65
Bass	12-19-12	55.39
Dollar General	12-19-12	26.94
Tasty Pizza	12-19-12	<u>117.17</u>
Total		<u>\$ 443.43</u>

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

RECONCILEMENT OF DETAIL TO CONTROL

The Supplemental Nutrition Assistance Program (SNAP) Historical Balances Report cash balance did not agree with the School Corporation's financial ledger at June 30, 2014. The SNAP report showed \$27,915 and the Cross Fund Report was \$69,408. The differences appear to be the result of computer posting and encoding errors.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2013 and 2014.

The enrollment count dates for 2013 and 2014 were September 2012, September 2013, and February 2014, respectively. The September 2012 and September 2013 had variances between the count reported on the ADM and the verified figures as shown below:

Count Date	Grade	Count as Reported on Form Number 30A	Actual Enrollment Figures	Difference
September 2012	Total	3,681.5	3,690.5	(9.0)
September 2013	Total	3,589.0	3,599.0	(10.0)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ANNUAL REPORT FILED AFTER DUE DATE

The School Corporation did not timely file a Gateway Annual Financial Report with the Indiana State Board of Accounts for June 30, 2014. The report was filed on October 16, 2014, which is 48 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."



State Board of Accounts
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Indianapolis, IN 46204-2765

May 27, 2015

OFFICIAL RESPONSE

To Whom It May Concern,

We are writing this communication as an official response to our financial audit performed by the State Board of Accounts for the period 07/01/12-06/30/14.

Beginning with the “Condition of Records” and “Internal Controls Over Financial Transactions and Reporting”, we have already or are in the process of implementing dual controls and verifications throughout the entire district. With the conversion of software and the amount of personnel turnover, these steps were not put in place accurately and completely, so we have addressed these situations.

In regard to the subject of bank reconciliations, these *were* completed through June 2014, however not to the auditor’s satisfaction. The reconciling variance of \$45,205 noted in the report was a software conversion entry to one of the bank accounts, which was removed after discussion with the auditors and then re-entered after the account did not reconcile. The reconciliations are done electronically in the software and should be accepted as such.

The overdrawn cash balances will be rectified by completing a financial review at the end of each quarter, which will also address the issue of the grant reimbursement not requested in a timely manner.

Expenditures related to the Food Service Christmas party are inexcusable and unacceptable to the district. Steps were taken to address similar activity and behavior of the former Director of Food Service. This individual is no longer employed by the district. Her successor has established much stronger policies, processes, and procedures to address many of the issues occurring within Food Service. The Food Service financials are also now part of the district’s main financial software and visible to the CFO and others within the Business Office who would question such behavior and provide a better system of checks and balances.



The variances referenced for the Average Daily Membership (ADM) were not given in a timely manner for the district to investigate. After the auditors were wrapped up and already on to the next audit, it came to the attention of the CFO regarding the two discrepancies listed, as well as a 179 count variance of over-submission to the state. Upon further investigation, this large variance was quickly removed when it was discovered to be an incorrect period report given to the auditor. There is no doubt these additional two variances would be removed if adequate time was given to research.

In conclusion, DeKalb Central has weathered the perfect storm over the last two years. We experienced a radical software conversion with an ineffective trainer from the software company who is now no longer employed by the company as a result of similar poor direction given to other clients. His training was a direct contributor to the form 9 adjustments and bank reconciliation issues. In addition, we experienced two changes to the CFO position, and changes to the positions of Assistant Superintendent (grant administrator), Food Service Director, and multiple positions in the Business Office. All of these transitions were contributing factors to the audit results and are also factors to our transition to a stronger district moving forward. We have utilized the audit findings and discussions along the way to strengthen our systems and make us more financially sound.

Steve Snider
CFO

Dr. Sherry Grate
Superintendent



DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on May 27, 2015, with Stephen W. Snider, Treasurer; Lance Brauchla, former Treasurer; Jay A. Baumgartner, President of the School Board; Gina Buhr, Director of Business Operations; and Dr. Sherry L. Grate, Superintendent of Schools.

An additional exit conference was held on November 17, 2015, with Stephen W. Snider, Treasurer, and Dr. Sherry L. Grate, Superintendent of Schools.