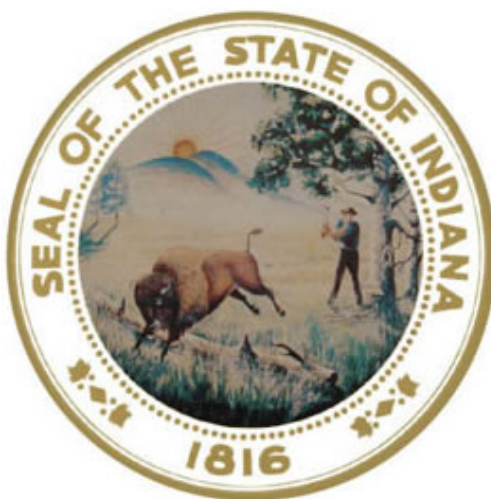


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

SUPPLEMENTAL COMPLIANCE REPORT  
OF

SOUTHWESTERN JEFFERSON COUNTY  
CONSOLIDATED SCHOOL CORPORATION  
JEFFERSON COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
04/21/2016



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Laura Boldery	07-01-12 to 06-30-16
Superintendent of Schools	Steve Telfer Trevor Jones	07-01-12 to 06-30-15 07-01-15 to 06-30-18
President of the School Board	Kevin Brierly Jodi Gray	01-01-12 to 12-31-14 01-01-15 to 12-31-16



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TO: THE OFFICIALS OF THE SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED  
SCHOOL CORPORATION, JEFFERSON COUNTY, INDIANA

This report is supplemental to our audit report of the Southwestern Jefferson County Consolidated 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 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 8, 2015

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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 Treasurer prepares the SEFA and there was no evidence presented that the information was reviewed or approved by another individual prior to submission. 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: the federal awards were understated by \$545,358 and \$452,959 for fiscal years ended June 30, 2013 and 2014, respectively. This was primarily the result of omitting the Child Nutrition Cluster from the SEFA. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
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 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 13, FY 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 Procurement and Suspension and Debarment compliance requirements. 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.

The U.S. Department of Agriculture and U.S. Department of Education required the School Corporation to verify that awarded contracts exceeding \$25,000 were not with suspended or debarred entities. The School Corporation failed to provide evidence that a search of the Excluded Parties List Systems was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract.

During the fiscal years ended June 30, 2013 and 2014, the School Corporation made food service purchases exceeding \$25,000 from four vendors each year. A search of the System of Award Manager Center website resulted in no active exclusions for any of these vendors.

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 programs. 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.

2 CFR 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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 enabled material noncompliance to go undetected. Noncompliance with 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 the Procurement and Suspension and Debarment requirements of the program.

***FINDING 2014-003 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 13, FY 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 and the Paid Lunch Equity compliance requirements that have a direct and material effect on the program. The failure to establish an effective internal control system enabled noncompliance with the compliance requirement to remain undetected.

Paid Lunch Equity calculations were made by the Indiana Department of Education and accepted by the School Corporation for the 2012-13 and 2013-14 school years. These calculations indicated that paid lunch prices should be increased, but the school corporation did not increase prices to meet the requirements.

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(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

- (1) *Calculation procedures.* Each school food authority shall:



SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
  - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
  - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section . . .
- (3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
- (i) 2 percent; and
  - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.
- (4) *Price Adjustments.*
- (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.
  - (ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
  - (iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents . . .
- (6) *Additional considerations.*
- (i) In any given year, if a school food authority with an average price lower than the reimbursement difference is not required by paragraph (e)(4)(ii) of this section to increase its average price for paid lunches, the school food authority shall use the unrounded average price as the basis for calculations to meet paragraph (e)(3) of this section for the next school year."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 implement controls and ensure compliance with, and comply with, the requirements for Paid Lunch Equity.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-004 - SPECIAL TESTS AND PROVISIONS - VERIFICATION  
OF FREE AND REDUCED PRICE APPLICATIONS***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 13, FY 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 and the verification of free and reduced price applications compliance requirements. The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirements to remain undetected.

The School Corporation did not properly determine income when performing verifications of free and reduced price applications for the 2013-14 school year. Of the eight applications verified by the School Corporation, we noted three instances in which changes were not properly made to the applicant's eligibility status. In two instances net pay was included in the income calculated, rather than gross pay. In one instance biweekly pay was included as weekly pay. As a result, some applicants were receiving benefits for which they were not eligible; while others were not receiving benefits for which they were eligible. Of the three instances noted, one applicant received free meals that should have received reduced price; one applicant received reduced price meals that should have been full pay status; and one applicant received reduced price meals that should have received free meals.

7 CFR section 245.6a(f)(7) states: "*Eligibility changes*. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. . . ."

The School Corporation did not have controls in place to reduce the risk of noncompliance with Special Tests and Provisions.

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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funding 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.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-005 - REPORTING***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 13, FY 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 and the Reporting compliance requirements. The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirements to remain undetected.

The Annual Financial Report filed by the School Corporation for the fiscal year ending June 30, 2013, did not properly report breakfast and lunch sales. A Prepaid Food Clearing account was not in use by the School Corporation in the fiscal year ending June 30, 2013. Prepaid food receipts were included in the sales figures reported. À la cart sales were reported as other income, instead of other food service.

The Annual Financial Report filed by the School Corporation for the fiscal year ending June 30, 2014, did not properly report à la cart sales of \$56,700 as other food service. The à la cart sales were included in the breakfast and lunch sales figures reported. The balance of Prepaid Food accounts at June 30, 2014, of \$13,046 was not reported.

The Verification Summary Report filed by the School Corporation for the fiscal year ending June 30, 2014, did not accurately report the results of the applications verified.

1. Eight applications were verified, but the School Corporation reported that ten applications were verified. Two applications were verified with direct verification and should not have been reported in this section of the report.
2. The results section of the report contained the following errors:
  - a. Four applicants were "responded, no change" but the School Corporation reported seven.
  - b. One applicant was "not responded, changed to paid," but the School Corporation reported two.
3. Two applications were direct verification, but the School Corporation reported eight.
4. The School Corporation reported 643 students received free or reduced meals, while the School Corporation's records presented for audit showed 746 students received free or reduced meals.

An internal control system 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.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 3016.20(b)(1) states: "*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."

7 CFR 245.6a(h) states:

"*Verification reporting and recordkeeping requirements.* By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS."

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 enabled material noncompliance to go undetected. Noncompliance with 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 the Reporting requirements of the program.

***FINDING 2014-006 - ELIGIBILITY***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 13, FY 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 and the Eligibility compliance requirements. 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.

Internal controls over eligibility determinations at the School Corporation were not sufficient to prevent, or detect and correct, errors in the eligibility classification of the applicants.

The School Corporation did not properly determine the eligibility status for some students receiving free or reduced price meals. Forty applications received during the audit period were selected for review. Of the 40 applications reviewed, 7 had incorrect eligibility determinations. The following deficiencies were noted in the eligibility determination process:

1. Eligibility for two applicants was determined using a different household size than was listed on the application, resulting in one applicant receiving free meals which should have been reduced price and one applicant receiving reduced price meals which should have been full paid status.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2. Eligibility based on income for four applicants was improperly determined, resulting in two applicants receiving reduced price meals that should have been full paid status, and two applicants receiving free meals that should have been reduced price.
3. One application containing a food stamp case number was improperly determined to be eligible for reduced price meals instead of free meals.

An internal control system 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.

7 CFR 245.6(c) states in part:

*"Determination of eligibility-*

- (1) *Duration of eligibility.* Except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or if feasible, through direct certification, at any time during the school year.

7 CFR 245.3 states in part:

"(a) Each State agency, or FNSRO where applicable, shall by July 1 of each year announce family-size income standards to be used by local educational agencies, as defined in § 245.2, under the jurisdiction of such State agency, or FNSRO where applicable, in making eligibility determinations for free or reduced price meals and for free milk. Such family size income standards for free and reduced price meals and for free milk shall be in accordance with Income Eligibility Guidelines published by the Department by notice in the Federal Register.

(b) Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. . . ."

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 enabled material noncompliance to go undetected. Noncompliance with 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 to ensure compliance, and comply with, the Eligibility compliance requirements of the program.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-007 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): FY 13, FY 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 and the Cash Management compliance requirements. 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.

The School Lunch fund balance of the School Corporation exceeded its three month average expenditures in all 24 months of the audit period. The three month average of expenditures for the fiscal year ending June 30, 2013, was \$192,168. The cash balance exceeded the three month average by between \$100,878 and \$151,514 each month. The three month average of expenditures for the fiscal year ending June 30, 2014, was \$217,128. The cash balance exceeded the three month average by between \$18,539 and \$93,375 each month.

Noncompliance with the Cash Management requirements occurred due to the lack of effective internal control procedures to ensure compliance.

An internal control system 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.

7 CFR 210.14(b) states in part: "The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its non-profit school food service . . ."

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 effective internal controls enabled material noncompliance to go undetected. Noncompliance with 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 the Cash Management requirements of the program.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-008 - INTERNAL CONTROLS OVER TITLE I  
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-4000, 13-4000, 14-4000

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Eligibility, Period of Availability of Federal Funds, Reporting, and Special Tests and Provisions.

Activities Allowed or Unallowed: Upon examination of the payroll docket, it was noted that the School Board approved payroll disbursements; however, the payroll docket did not identify the fund from which the employee was paid. The School Board's approval would not ensure that only employees performing Title I activities were paid from the program.

Cash Management: The Deputy Treasurer prepares and submits reimbursement requests. No evidence was presented to indicate that a control was in place to ensure that all costs submitted for reimbursement had been incurred and paid prior to requesting reimbursement.

Eligibility: The Deputy Treasurer prepares and submits the Real Time Report information used to determine eligibility. There is no control in place to ensure that the Real Time Reports are accurate prior to submission.

Period of Availability of Federal Funds: The Deputy Treasurer prepares and submits reimbursement requests. No evidence was presented to indicate that a control was in place to ensure that all costs submitted for reimbursement were incurred during the period of availability.

Reporting: The Deputy Treasurer prepares and submits reimbursement requests and Annual Expenditure Reports. There is no control in place to ensure that reimbursement requests and Annual Expenditure Reports are accurate prior to submission.

Special Tests and Provisions: The Title I Director is responsible for ensuring that the School Corporation's comprehensive needs assessment, comprehensive plan, and annual evaluation of the schoolwide program are completed. No evidence was presented to indicate that a control was in place to ensure that these items were completed.

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 with 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 2014-009 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-4000, 13-4000, 14-4000

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 and the Allowable Costs/Cost Principles compliance requirements. 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.

The School Corporation did not have a system in place to ensure compliance with the OMB Circular A-87 regulations for time and effort reporting. Only one of the semiannual certification activity reports for employees paid from Title I funds for the fiscal years ended June 30, 2013 and 2014, was presented for audit.

An internal control system 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.

OMB Circular A-87, Attachment B, Section 8(h), Compensation for personal services, states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . .

- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.



SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost 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 enabled material noncompliance to go undetected. Noncompliance with 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 policies and procedures to ensure compliance with the Allowable Costs/Cost Principles requirements of the program.

***FINDING 2014-010 - INTERNAL CONTROL OVER SPECIAL EDUCATION CLUSTER (IDEA)***

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States; Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Numbers): A58-3-13DL-1493, 14211-038-PN01, 14212-038-PN01, 14213-038-PN01, 14214-038-PN01, 99914-038-TA01, 45711-038-PN01, 45712-038-PN01, 45713-038-PN01

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, Period of Availability of Federal Funds, and Reporting.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation designated Madison Area Educational Special Services Unit (MAESSU) as the fiscal agent to receive and manage the funding of the Special Education programs. We noted the following deficiencies in the internal control system:

Cash Management - Requests for Reimbursement are prepared by MAESSU's Business Manager. There was no control in place to ensure that expenditures were paid prior to requesting reimbursement.

Period of Availability of Federal Funds - MAESSU's Business Manager monitors expenditures for compliance with Period of Availability of Federal Fund requirements. There was no control in place to ensure expenditures were incurred within the period of availability.

Reporting - The Requests for Reimbursement and Final Expenditure Reports are prepared and submitted by MAESSU's Business Manager. There was no control in place to ensure that the Requests for Reimbursement and Final Expenditure Reports were accurate prior to submission.

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 with 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.

# Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

## Superintendent

Trevor Jones

## Assistant To

## Superintendent/

## Corporation Treasurer

Laura Boldery

## Board of School Trustees

Jodi Gray, President

Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

December 3, 2015

## Corrective Action Plan

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

Internal controls continue to be a problem in all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation does provide the most 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 as reasonably possible.

We feel the segregation of duties and safeguarding controls over cash and all other assets and all forms of information processing are done to the best of our ability with the available staff.

Controls over the receipting, disbursing, recording and accounting for the financial activities are completed in the following manner. The Deputy Treasurer now does the recording of the Federal Grants. Previously, the Treasurer did all the Federal Grant accounting. Receipts are written by the Deputy Treasurer. I, Treasurer, personally sign and check every receipt before they are recorded. I have a Deputy Treasurer and an Assistant Treasurer. If I am absent the Assistant Treasurer signs each receipt for the Deputy Treasurer. Treasurer, Deputy Treasurer or Assistant Deputy make deposits daily.

Disbursing is done by checks written by Deputy Treasurer. Treasurer checks invoicing and personally signs all checks before processing and mailing. If Treasurer is absent the Assistant Treasurer signs each check personally. The same process is used for preparing the actual SEFA to insure it is correct.

The School Board is given a list of all checks and invoices being paid prior to monthly Board meetings. Questions concerning any invoices are asked and all checks are approved prior to payment being sent to vendors. Checks are then mailed after Board approval.

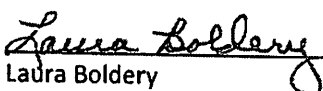
Accounting is done by both the Treasurer and Deputy Treasurer. The Deputy Treasurer does the daily accounting. The Treasurer does the monthly accounting, closing, and beginning the next month.

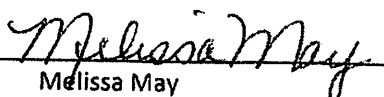
We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

Contact Person: Laura Boldery or Melissa May

Title: Treasurer/Assistant to the Superintendent or Deputy Treasurer

Phone: 812-866-6253 or 812-866-1235

  
Laura Boldery

  
Melissa May

12-8-15  
Date

## CHARACTER COUNTS!

Everywhere -- All The Time

TRUSTWORTHINESS

RESPECT

RESPONSIBILITY

FAIRNESS

CARING

CITIZENSHIP

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## Superintendent

Trevor Jones

## Assistant To

Superintendent/

Corporation Treasurer

Laura Boldery

December 3, 2015

Corrective Action Plan

## Board of School Trustees

Jodi Gray, President

Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

## FINDING 2014-002. PROCUREMENT AND SUSPENSION AND DEBARMENT

Internal controls continue to be a problem in all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation does provide the most effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirements as we possibly can with limited staff.

Southwestern Jefferson County Consolidated School Corporation will correct the verification of awarded contracts exceeding \$25,000 for the School Breakfast and National School Lunch Programs. Beginning January 4, 2016 all awarded contracts exceeding \$25,000 will have evidence on file that the contracted entities were searched and not suspended or debarred. The Food Service Director will do a search of the System of Award Manager Center website. Contracts will not be awarded to any vendor appearing on the Excluded Parties List.

Segregation of duties will be designed and operated more 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. We have on staff the Food Service Director and her assistant in the same office. Each sees what the other works on. The daily receipts are done by cashiers. Money is checked by cashiers, given to Food Service Director and then deposited. A record is given to the Treasurer or Deputy Treasurer in the Administration Office. The recording is done by the Food Service Director for the individual schools. All school recording is done in the Administration Office's software program. Vendors are paid by purchase orders approved by the Food Service Director. The Corporation Treasurer or Deputy Treasurer records, writes and mails checks. Vouchers are checked and checks are signed by the other official in the Administration Office. All vouchers lists are sent to the School Board at least three days prior to meeting date. The School Board approves all vouchers and payrolls at the monthly Board meeting.

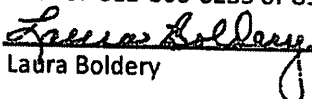
The Federal reporting for the School Breakfast Program and the National School Lunch Program is done by the Food Service Director. The daily reporting is done by the Deputy Treasurer in the Central Office. The monthly recording is done by the Corporation Treasurer.

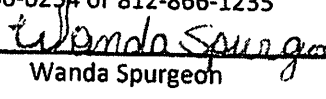
We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

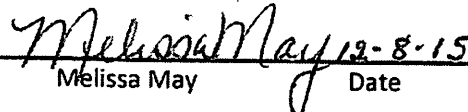
Contact Person: Laura Boldery or Wanda Spurgeon or Melissa May

Title: Treasurer/Assistant to the Superintendent or Food Service Director or Deputy Treasurer

Phone: 812-866-6253 or 812-866-6254 or 812-866-1235

  
Laura Boldery

  
Wanda Spurgeon

  
Melissa May  
Date 12-8-15

## CHARACTER COUNTS!

Everywhere - All The Time

TRUSTWORTHINESS

RESPECT

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# Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

## Superintendent

Trevor Jones

Assistant To

Superintendent/

Corporation Treasurer

Laura Boldery

December 3, 2015

Corrective Action Plan

## Board of School Trustees

Jodi Gray, President

Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

## FINDING 2014-003. SPECIAL TESTS AND PROVISIONS

Internal controls continue to be a problem in all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation will correct the paid lunch equity compliance requirements that have a direct and material effect on the National School Lunch Program and School Breakfast Program.

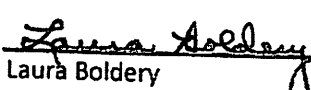
Effective January 4, 2016 paid lunch prices will be increased ten cents. The School Board approved this increase at the monthly meeting held on November 24, 2015. The School Board anticipates increasing the paid lunch prices another ten cents at the beginning of the 2016-2017 school year in August 2016. This will be continued, with School Board approval, until the difference between the per meal Federal reimbursement for paid and free lunches reaches the requirements for paid lunch equity.

We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

Contact Person: Laura Boldery or Wanda Spurgeon

Title: Treasurer/Assistant to the Superintendent or Food Service Director

Phone: 812-866-6253 or 812-866-6254

  
Laura Boldery

  
Wanda Spurgeon

12-8-15  
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Laura Boldery

December 3, 2015

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## Board of School Trustees

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Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

## FINDING 2014-004. SPECIAL TESTS AND PROVISIONS

Internal controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation will correct the verification of free and reduced price applications compliance requirements. The Food Service Director has worked on finding and correcting the errors in determining the income when performing verifications of free and reduced price applications. The problem has been seen since the change of applying on line. The Food Service Director was not checking each line that had been filled out. Since the Audit she has gone over all the applications. Some of the dependents were being shown in two places. That made them being counted twice when the calculate and send buttons were hit.

The School Food Director will make all necessary corrections immediately. Future applications will be double checked to try to keep this from happening again.

The School Food Director's Assistant will double check the applications to establish an effective internal control system. This will help to avoid noncompliance with the grant agreement and the compliance requirements to remain undetected.

The School Food Director will follow 7 CFR section 245.6a(f)(7): "Eligibility changes. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially."

We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

Contact Person: Laura Boldery or Wanda Spurgeon

Title: Treasurer/Assistant to the Superintendent or Food Service Director

Phone: 812-866-6253 or 812-866-6254

Laura Boldery  
Laura Boldery

Wanda Spurgeon  
Wanda Spurgeon

12-8-15  
Date

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December 3, 2015

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## Board of School Trustees

Jodi Gray, President  
Michael Hicks, Vice-President  
Lacie Deputy, Secretary  
John Jones, Member  
Richard Stockdale, Member

## FINDING 2014-005. REPORTING

Internal controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation corrected the Prepaid Food Clearing account. The accounting for the National School Lunch Program and School Breakfast Program had been done in an extra-curricular account. State Board of Accounts recommended the accounting be done in the Administration Office accounts. At the time of the move we were unaware of how the Prepaid Food Clearing account was supposed to be set up. State Board of Accounts explained the procedure and it is being followed.

Ala cart sales will be reported as other food service instead of other income effective January 4, 2016. Every effort will be made to report the Ala cart sales correctly.

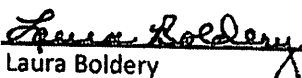
Application verifications will be closely monitored beginning immediately. Real Time reporting is done in the Administration Office by the Deputy Treasurer. Application verifications are done in the Extra-Curricular Office by the School Food Director. Beginning January 4, 2016 Real Time reports will be compared by printing a list of verified applicants. This will help with correct reporting as well as internal control.

We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

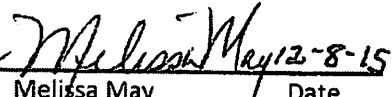
Contact Person: Laura Boldery or Wanda Spurgeon or Melissa May

Title: Treasurer/Assistant to the Superintendent or Food Service Director or Deputy Treasurer

Phone: 812-866-6253 or 812-866-6254 or 812-866-1235

  
Laura Boldery

  
Wanda Spurgeon

  
Melissa May

12-8-15  
Date

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## Superintendent

Trevor Jones

## Assistant To

## Superintendent/

## Corporation Treasurer

Laura Boldery

December 3, 2015

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## Board of School Trustees

Jodi Gray, President

Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

## FINDING 2014-006. Eligibility

Internal controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation will correct the eligibility determinations to prevent, or detect and correct, errors in the eligibility classification of the applicants.

The Food Service Director together with her Assistant and someone in the Administration Office will be closely checking every application and changes will be made prior to submitting.

Food stamp case numbers will be properly determined to be eligible for free meals instead of reduced price meals.

Application verifications will be closely monitored beginning immediately. Real Time reporting is done in the Administration Office by the Deputy Treasurer. Application verifications are done in the Extra-Curricular Office by the School Food Director and Assistant. Beginning January 4, 2016 Real Time reports will be compared by printing a list of verified applicants. This will help with correct reporting as well as internal control.

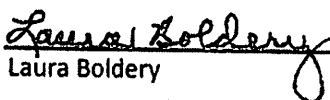
The Eligibility compliance requirements will be followed as closely as possible beginning immediately.

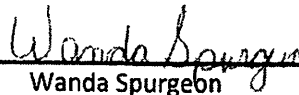
We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

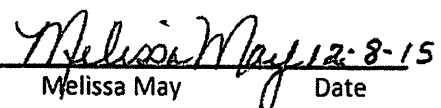
Contact Person: Laura Boldery, Wanda Spurgeon, Melissa May

Title: Treasurer/Assistant to the Superintendent or Food Service Director or Deputy Treasurer

Phone: 812-866-6253 or 812-866-6254 or 812-866-1235

  
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Trevor Jones

Assistant To  
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Corporation Treasurer  
Laura Boldery

December 3, 2015

## Corrective Action Plan

## Board of School Trustees

Jodi Gray, President  
Michael Hicks, Vice-President  
Lacie Deputy, Secretary  
John Jones, Member  
Richard Stockdale, Member

### FINDING 2014-007. CASH MANAGEMENT

Internal controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation will correct the cafeteria cash balance immediately. The school food authority shall limit its net cash resources to an amount that does not exceed three months average expenditures for its non-profit school food service as stated by 7 CFR 210.14(b).

The Southwestern School Board approved some things to spend some of the cafeteria funds. Beginning January 4, 2016 all Southwestern students will be given a free breakfast. Maintenance employees will be charged to the cafeteria when working on cafeteria equipment and rooms.

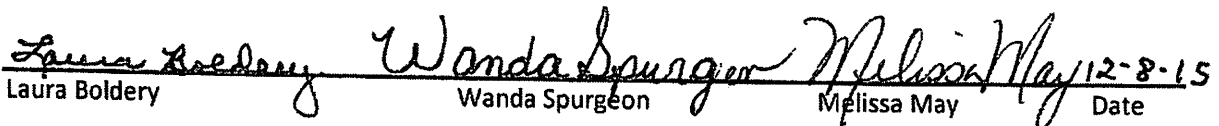
The monthly cash balance will be closely monitored by the Food Service Director, Corporation Treasurer and Deputy Treasurer. Every effort will be made to maintain a cash balance not exceeding the three months average of expenditures at the end of any month.

We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

Contact Person: Laura Boldery, Wanda Spurgeon, Melissa May

Title: Treasurer/Assistant to the Superintendent or Food Service Director or Deputy Treasurer

Phone: 812-866-6253 or 812-866-6254 or 812-866-1235

  
Laura Boldery Wanda Spurgeon Melissa May 12-8-15  
Date

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Everywhere - All The Time

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Laura Boldery

December 3, 2015

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Jodi Gray, President

Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

### FINDING 2014-008. INTERNAL CONTROLS OVER TITLE 1 GRANTS TO LOCAL EDUCATIONAL AGENCIES

Activities Allowed or unallowed: To correct identifying the fund from which employees are paid beginning January 4, 2016 Southwestern School Board will be given the Payroll Distribution Report. This report is broken down by employees and by fund.

Cash Management: The Deputy Treasurer prepares and submits reimbursement requests. Reports are taken from our Komputrol Software Program showing what expenditures had been made prior to completing the reimbursement requests. Title I beginning balance, receipts, expenditures and ending balance are checked at the end of each month by the Treasurer. The reports must balance prior to asking for reimbursement. Reports are attached to the reimbursement requests and maintained in our files. We only ask for the amount on the fund report that shows in the red at the time of submitting. Beginning January 4, 2016 the Treasurer will check, approve and sign all reimbursements prior to filing. If the Treasurer fills out the reimbursement the Deputy or Assistant Treasurer will check, approve, and verify all reimbursements prior to filing.

Eligibility: The Deputy Treasurer prepares and submits the Real Time Report information used to determine eligibility. Beginning January 4, 2016 a report will be run with the names of eligible students. The report will be checked with the Real Time Report prior to submitting the report. Information for the Real Time report is gathered from the Harmony Program entered by each school.

Period of Availability of Federal Funds: The Deputy Treasurer prepares and submits reimbursement requests. We will continue sending in requests on the 15<sup>th</sup> and 30<sup>th</sup> of each month. We will continue to use balanced bookkeeping paper work with reimbursements. Treasurer closes out monthly reporting.

Reporting: The Deputy Treasurer prepares and submits reimbursement requests and Annual Expenditure Reports. We balance reports prior to submitting. Treasurer closes out monthly reporting. Another official who does not fill out the forms will review, approve, and verify reimbursement forms.

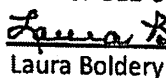
Special Tests and Provisions: The Title I Director, Elementary Principal, is responsible for ensuring that the School Corporation's assessment, comprehensive plan, and annual evaluation of the schoolwide program are completed. Beginning January 4, 2016 the Assistant Principal will sign and verify.

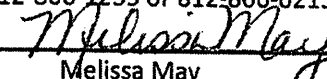
We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

Contact Person: Laura Boldery, Melissa May, Karla Gauger

Title: Treasurer/Assistant to the Superintendent or Deputy Treasurer or Title I Director

Phone: 812-866-6253 or 812-866-1235 or 812-866-6215

  
Laura Boldery

  
Melissa May

  
Karla Gauger

12-8-15  
Date

### CHARACTER COUNTS!

Everywhere - All The Time

TRUSTWORTHINESS

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# Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

## Superintendent

Trevor Jones

Assistant To

Superintendent/

Corporation Treasurer

Laura Boldery

December 3, 2015

Corrective Action Plan

## Board of School Trustees

Jodi Gray, President

Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

## FINDING 2014-009. ALLOWABLE COSTS/COST PRINCIPLES

Internal controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation will put a system in place to ensure compliance with the Circular A-87 regulations for time and effort reporting. Beginning January 4, 2016 certification activity reports for employees paid from Title I funds will be completed in a timely manner.

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. Payroll time sheets are signed by the Title I Director and employee. Beginning January 4, 2016 certification activity reports will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee and the payroll clerk. School Board approves all payrolls.

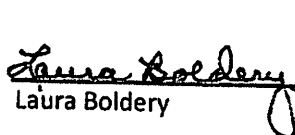
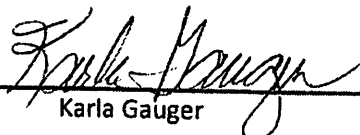

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards beginning January 4, 2016. The reports will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. Payroll clerk will also sign time sheets.

We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

Contact Person: Laura Boldery, Karla Gauger, Linda Shepherd

Title: Treasurer/Assistant to the Superintendent or Title I Director or Payroll Clerk

Phone: 812-866-6253 or 812-866-6215 or 812-866-6252

   12-8-15  
Laura Boldery Karla Gauger Linda Shepherd Date

## CHARACTER COUNTS!

Everywhere - All The Time

TRUSTWORTHINESS

RESPECT

RESPONSIBILITY

FAIRNESS

CARING

CITIZENSHIP

# Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

## Superintendent

Trevor Jones

Assistant To  
Superintendent/  
Corporation Treasurer  
Laura Boldery

December 3, 2015  
Corrective Action Plan

## Board of School Trustees

Jodi Gray, President  
Michael Hicks, Vice-President  
Lacie Deputy, Secretary  
John Jones, Member  
Richard Stockdale, Member

### FINDING 2014-010. INTERNAL CONTROL OVER SPECIAL EDUCATION CLUSTER (IDEA)

Internal controls continue to be a problem for all Governmental units due to a shortage of funds to support extra personnel. We continue working on this issue.

Southwestern Jefferson County Consolidated School Corporation designated Madison Special Services Unit (MAESSU) as the fiscal agent to receive and manage the funding of the Special Education programs.

Cash Management: Requests for reimbursements are prepared by MAESSU's Business Manager. The Business Manager began in October 2015 having the MAESSU Board sign reports.

Period of Availability: MAESSU's Business Manager monitors expenditures for compliance with Period of Availability of federal Fund requirements. The Business Manager began in October 2015 having the MAESSU Board sign reports.

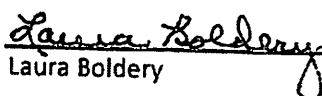
Reporting: the Requests for Reimbursement and Final Expenditure Reports are prepared and submitted by MAESSU's Business Manager. The Business Manager began in October 2015 having the MAESSU Board sign reports.

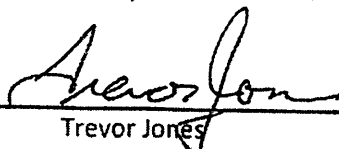
Madison Special Services Unit will work towards maintaining internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on the Federal program as stated in OMB Circular A-133, Subpart C, section .300.

Southwestern Jefferson County Consolidated School Corporation has been assured by the MAESSU's Business Manager and Board that every effort will be maintained to accomplish fulfilling the requirements.

We will continue perfecting the internal control to the best of our ability. Everything possible is double checked prior to closing each month.

Contact Person: Laura Boldery, Trevor Jones  
Title: Treasurer/Assistant to the Superintendent or Superintendent & MAESSU Board Member  
Phone: 812-866-6253 or 812-866-6255

  
Laura Boldery

  
Trevor Jones

12-8-15  
Date

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SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***ANNUAL REPORT***

The Gateway Annual Report for the fiscal year ended June 30, 2014, was not filed electronically until November 20, 2014.

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."

***RECONCILIATION OF PREPAID FOOD ACCOUNTS***

Reconciliations of the student's individual Prepaid Food account balances to the Prepaid Food Collections fund were not performed during the audit period. As of June 30, 2014, the balance in the Prepaid Food Collections fund exceeded student's individual Prepaid Food account balances by \$7,641.

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)

***PUBLIC WORKS PROJECT***

The School Corporation, during September 2013, contracted for the relocation of heat pumps at the elementary school from the classrooms to the roof of the building. The total cost of this project was \$253,935. There was no evidence presented for audit that sealed bids were requested or received or that the contractor was required to execute a payment bond.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) . . . at least one hundred fifty thousand dollars \$150,000 . . ."

Indiana Code 36-1-12-4(b) states in part:

"The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed."

Indiana Code 36-1-12-13.1(a) states in part:

". . . the appropriate political subdivision or agency:

- (1) shall require the contractor to execute a payment bond to the appropriate political subdivision or agency, approved by and for the benefit of the political subdivision or agency, in an amount equal to the contract price if the cost of the public work is estimated to be more than two hundred thousand dollars (\$200,000) . . ."

# Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

## Superintendent

Trevor Jones

## Assistant To

## Superintendent/

## Corporation Treasurer

Laura Boldery

## Board of School Trustees

Jodi Gray, President

Michael Hicks, Vice-President

Lacie Deputy, Secretary

John Jones, Member

Richard Stockdale, Member

December 9, 2015

## "OFFICIAL RESPONSE"

State Board of Accounts  
302 West Washington Street  
Room E 418  
Indianapolis, Indiana 46204-2765

Dear State Board of Accounts:

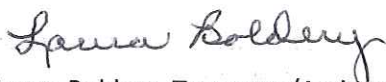
I am responding to the Audit Results and Comments because Southwestern Jefferson County Consolidated School employees responsible for audits try extremely hard to have perfect audits. I feel your auditors did an excellent job auditing our books and I have no complaints.

**Annual Report:** The Annual Report for the fiscal year ended June 30, 2014 was not filed electronically until November 20, 2014. That is correct. This was the first time this report has been required by Gateway. I was not aware that it needed to be completed. Every effort will be made to file the report within the 60 day period after the end of each fiscal year.

**Reconciliation of prepaid food accounts:** As of June 30, 2014, the balance in the Prepaid Food Collections Fund exceeded student's individual Prepaid Food account balances by \$7,641. That is correct. The central office has taken over the bookkeeping and reporting from the extra-curricular account. At the time of setting this all up the Food Service Director was unable to give us a beginning balance to put into the Prepaid Food account. The total amount was put into the Cafeteria Fund without being separated. We will add the \$7,641 beginning balance to the Prepaid Food account with a transfer on December 31, 2015. Central Office will reconcile with Food Service records every month prior to closing. The records, should always agree.

**Public Works Project:** There was no evidence of sealed bids being requested or received. Sealed bids were not received only quotes. The reason for this is the \$253,935 in question was made up of several projects done at different times as money was available. The School Board approved projects included in the quotes as individual projects were completed. We received quotes to see what the total work was estimated to be so money could be put aside. We are aware of IC 36-1-12-4(a)(b) and will make every effort to abide by the law in the future. I was not aware of the requirements in IC 36-1-12-13.1(a). Every effort will be made to obtain a payment bond in the future if the cost of the public work is estimated to be more than two hundred thousand dollars (\$200,000).

Thank you for allowing me to comment on the Audit results,



Laura Boldery, Treasurer/Assistant to the Superintendent

-29-

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SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2015, with Laura Boldery, Treasurer; Melissa May, Deputy Treasurer; Steve Telfer, former Superintendent of Schools; and Trevor Jones, Superintendent of Schools.