

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTH ADAMS COMMUNITY SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
06/09/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Larry G. Carty	07-01-13 to 06-30-16
Superintendent of Schools	Brent M. Lehman	07-01-13 to 06-30-16
President of the School Board	Michelle R. Stimpson Benjamin S. Faurote	01-01-13 to 12-31-13 01-01-14 to 12-31-16



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TO: THE OFFICIALS OF NORTH ADAMS COMMUNITY SCHOOLS, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of North Adams Community Schools (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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

February 24, 2016

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

1. The Child Nutrition Cluster expenditures had been omitted from FY 2013/2014 (\$734,543) and FY 2014/2015 (\$738,974).
2. Special Education Cluster (IDEA) expenditures had been omitted from FY 2013/2014 (\$370,425) and were understated in FY 2014/2015 (\$36,426).
3. Title I Grants to Local Educational Agencies expenditures were understated in FY 2013/2014 (\$105,615) and FY 2014/2015 (\$93,155).
4. Other grants were either entirely omitted or misidentified by grant number.

Audit adjustments totaling \$1,266,117 for FY 2013/2014 and \$940,764 for FY 2014/2015 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:

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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.
- (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 2015-002 - INTERNAL CONTROLS OVER RECEIPTS

We noted deficiencies in the internal control system of the School Corporation related to receipting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts. We could not verify adequate segregation of duties in place, such as oversight, review, or approval process, to ensure that revenues were properly receipted and recorded into the School Corporation's ledgers.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement 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 financial transactions and reporting. 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.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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.

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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)

FINDING 2015-003 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year: FY 13-14, FY 14-15

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 such as an oversight or approval process, related to the following compliance requirements that have a direct and material effect to the programs: Cash Management, Eligibility, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). 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.

Cash Management

Federal regulations require schools to maintain a food service balance less than or equal to the average expenditures for three months. The School Corporation did not establish a control to ensure that the food service balance was less than or equal to the average expenditure for three months operating expenses.

Eligibility

A parent must file an application for their child to qualify for free or reduced price meals unless the child qualifies through direct certification. For applications filed, the Food Service Director or Secretary individually entered the Application for Free or Reduced Price Meals and Other Benefits (School Form No. 521) into the Meals Plus Program (food service software), which automatically made the determination dependent on the information entered into the system. There was no control in place to ensure the information entered into the system was accurate or correct.

Program Income

The School Board approved meal prices; however, there is no control in place to ensure that the prices approved were being correctly charged by the individual schools.

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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

Federal regulations require that schools select and verify a sample of their approved free and reduced price meal applications on file as of October 1. The Food Service Director performed the verifications; however, there was no control in place to determine whether the verifications performed were correct.

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.

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 noted above that have a direct and material effect on the programs.

FINDING 2015-004 - REPORTING

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year: FY 13-14, FY 14-15

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 Reporting compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of non-compliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation must submit an Annual Financial Report, Subrecipient Special Reporting - Claim for Reimbursement, and Subrecipient Special Reporting - Verification Summary Report as required by the Indiana Department of Education. The individual preparing the reports submits the reports without a control in place to determine whether the reports were accurate.

The School Nutrition Director enters meal counts and their proper classifications into the Indiana Department of Education's reimbursement software which calculates the reimbursement amount claimed. During the first year of the audit, all schools were reimbursed for breakfast at the "Severe Needs" reimbursement rates and during the second year, all schools except for the high school were reimbursed for breakfast at the "Severe Needs" rates. The elementary schools qualified to be reimbursed at the "Severe Needs" rate based on the School Corporation's submission of a Provision Policy Statement. The School Corporation, however, did not provide sufficient documentation to show why they were reimbursed for breakfast at the "Severe Needs" rates for the middle school and high school. The School Corporation does not verify "Severe Needs" reimbursement rates through comparison of reimbursement claims with qualified rates.

In addition, the amounts reported as receipts for Federal Reimbursements on the Annual Financial Report for the fiscal years ending June 30, 2014 and 2015, did not agree to the School Corporation's financial records.

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 210.8(a)(2) states:

"School food authority claims review process. Prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches."

7 CFR 210.15(b) states in part:

"Recordkeeping summary. In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title . . ."

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.

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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."

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 and implement controls, including segregation of duties, to ensure compliance with the grant agreement and Reporting compliance requirements.

FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year: FY 13-14, FY 14-15

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 Special Tests and Provisions - Paid Lunch Equity 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. 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.

Federal regulations require that schools annually review their paid lunch revenue to assure compliance with the Paid Lunch Equity requirement. Schools must calculate their weighted-average price to determine if it has sufficient funding for paid meals served. The Food Service Director calculates the weighted-average price for the School Corporation; however, there is no control to ensure that the calculation was correct.

The School Corporation did not comply with the Paid Lunch Equity requirements. The monthly number of paid meals and paid lunch prices used to calculate the weighted average price for FY 2013/2014 did not match the units' records.

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:

(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.

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(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 . . .

7 CFR 210.15(b) states in part:

"Recordkeeping summary. In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in §210.14(e) . . ."

7 CFR 210.15(b)(6) states: "Records to document compliance with the requirements in §210.14(e)"

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.

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."

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 and implement controls, including segregation of duties, to ensure compliance with the grant agreement and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

FINDING 2015-006 - INTERNAL CONTROL 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 Years: 13-0025, 14-0025, 15-0025
Pass-Through Entity: Indiana Department of Education

NORTH ADAMS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, such as an oversight or approval process, related to the following compliance requirements: Reporting and Cash Management. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Reporting and Cash Management

The School Corporation submits claims for reimbursement for Title I expenditures monthly to the Indiana Department of Education. There is no control in place to ensure that the Claims for Reimbursement are accurate.

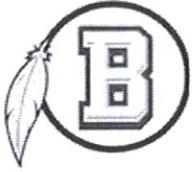
An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. 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 and implement controls, including segregation of duties, related to the grant agreement and compliance requirements noted above that have a direct and material effect on the program.



North Adams Community Schools

625 Stadium Dr.
Decatur, IN 46733

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February 23, 2016

Finding 2015-001:

Federal Agency: Department of Education
Federal Program(s): Child Nutrition Cluster
Special Education Cluster (IDEA)
Title I, Part A
CFDA Number: none
Federal Award Year: FY 2013/2014, FY 2014/2015

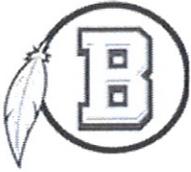
Corrective Action:

North Adams Community Schools will make every reasonable effort to comply with the “**Preparation of the Schedule of Expenditures of Federal Awards**” finding. A system of internal controls will be established to assure the reliability of financial records and to ensure accurate reporting of federal awards in a timely manner.

by June 30, 2016 BR

Brent Lehman
Superintendent

Larry G. Carby
Treasurer



North Adams Community Schools

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February 23, 2016

Finding 2015-002:

Federal Agency: Department of Education
Federal Program(s): All
CFDA Number: none
Federal Award Year: FY 2013/2014, FY 2014/2015

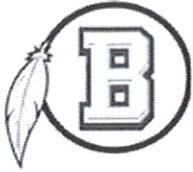
Corrective Action:

North Adams Community Schools will make every reasonable effort to comply with the “**Internal Controls Over Receipts**” finding. A system of internal controls will be established to document at least monthly the receipt of revenues. Segregation of duties will be defined to assure appropriate separation over receipting.

by June 30, 2016 BL

Brent Lehman
Superintendent

Larry G. Carty
Treasurer



North Adams Community Schools

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February 23, 2016

Finding 2015-003:

Federal Agency: U.S. Department of Agriculture
Federal Program(s): School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555 and 10.559
Federal Award Year: FY 2013/2014, FY 2014/2015
Pass-Through Entity: Indiana Department of Education

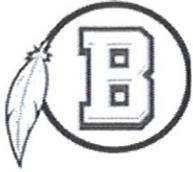
Corrective Action:

North Adams Community Schools will make every reasonable effort to comply with the “**Internal Controls over Child Nutrition Cluster**” finding. A system of internal controls will be established to ensure the segregation of duties to assure oversight related to compliance regarding Cash Management, Eligibility, Program Income, and Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP), respectively.

by June 30, 2016 BZ

Brent Lehman
Superintendent

Larry G. Carty
Treasurer



North Adams Community Schools

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February 23, 2016

Finding 2015-004:

Federal Agency: U.S. Department of Agriculture
Federal Program(s): School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555 and 10.559
Federal Award Year: FY 2013/2014, FY 2014/2015
Pass-Through Entity: Indiana Department of Education

Corrective Action:

North Adams Community Schools will make every reasonable effort to comply with the “**Reporting**” finding. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement and Reporting compliance requirements.

by June 30, 2016 BZ

Brent Lehman
Superintendent

Larry G. Carty
Treasurer



North Adams Community Schools

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Decatur, IN 46733

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February 23, 2016

Finding 2015-005:

Federal Agency: U.S. Department of Agriculture
Federal Program(s): School Breakfast Program
National School Lunch Program
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555 and 10.559
Federal Award Year: FY 2013/2014, FY 2014/2015
Pass-Through Entity: Indiana Department of Education

Corrective Action:

North Adams Community Schools will make every reasonable effort to comply with the “**Special Tests and Provisions – Paid Lunch Equity**” finding. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement and Paid Lunch Equity requirements, respectively.

by June 30, 2016 BL


Brent Lehman
Superintendent


Larry G. Carty
Treasurer



North Adams Community Schools

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February 23, 2016

Finding 2015-006:

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Year: 13-0025, 14-0025, and 15-0025
Pass-Through Entity: Indiana Department of Education

Corrective Action:

North Adams Community Schools will make every reasonable effort to comply with the “**Internal Controls over Title I Grants to Local Educational Agencies**” finding. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement and Reporting and Cash Management requirements, respectively.

by June 30, 2016 BL

Brent Lehman
Superintendent

Larry G. Carty
Treasurer

NORTH ADAMS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The School Corporation did not file the Gateway Annual Financial Report for school year 2013-2014 in a timely manner. The report was due August 29, 2014, but was not submitted until December 9, 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."

PREPAID FOOD CLEARING ACCOUNT

Prepaid lunch receipts were not placed in Fund 8400 Prepaid Lunch, a clearing account, but were instead accounted for in the School Lunch fund. The entire amount of prepaid lunch receipts were recognized in the School Lunch fund at the time of receipt as revenue and not as applied from the clearing account as students consumed their individual accounts balances. As a result, the subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis by officials as required.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Bulletin and Uniform Compliance Guidelines, September 2008)

DISPOSITION OF ASSETS

In March 2014, the School Corporation sold two mini buses for \$8,000. No information presented for audit indicated the sale was advertised or that the assets were sold at a public sale or by sealed bids.

NORTH ADAMS COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-22-22-4(a) states:

"If the property to be sold is:

- (1) one (1) item, with an estimated value of one thousand dollars (\$1,000) or more; or
- (2) more than one (1) item, with an estimated total value of five thousand dollars (\$5,000) or more;

the purchasing agency may engage an auctioneer licensed under IC 25-6.1 to advertise the sale and conduct a public auction."

Indiana Code 5-22-22-5 states:

"(a) If:

- (1) an auctioneer is not engaged under section 4 of this chapter; or
- (2) the surplus property is not sold through an Internet auction site under section 4.5 of this chapter;

the purchasing agency shall sell the property at a public sale or by sealed bids delivered to the office of the purchasing agency before the date of sale.

(b) Advertisement of the sale shall be made in accordance with IC 5-3-1.

(c) All sales shall be made to the highest responsible bidder."

CAPITAL ASSETS

The School Corporation did not properly maintain a complete inventory of capital assets owned.

Each governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the applicable Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

NORTH ADAMS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 24, 2016, with Larry G. Carty, Treasurer, and Brent M. Lehman, Superintendent of Schools.