

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWNSBURG COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
06/09/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dr. Kendall Hendricks	07-01-12 to 06-30-16
Superintendent of Schools	Dr. James Snapp	07-01-12 to 06-30-16
President of the School Board	Kim Armstrong	07-01-12 to 12-31-12
	David Ayers	01-01-13 to 02-25-13
	Mike Runyon	02-26-13 to 04-07-13
	Kim Armstrong	04-08-13 to 12-31-13
	Mike Runyon	01-01-14 to 12-31-14
	Adam Brower	01-01-15 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BROWNSBURG COMMUNITY SCHOOL CORPORATION, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Brownsburg Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and 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

March 28, 2016

BROWNSBURG COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

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

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Information for the SEFA was not reviewed for accuracy to see that all grants were included. 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 School Corporation did not report amounts for the Child Nutrition Cluster for either school year and reported incorrect amounts for other federal programs for 2013. The result was that the federal expenditures reported on the SEFA were understated by \$946,810 for 2013 and \$1,294,826 for 2014. Audit adjustments were proposed, accepted by the school corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.

BROWNSBURG COMMUNITY 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 - REPORTING***

Federal Agency: U.S. 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): 3305  
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 compliance requirements related to Reporting.

The meal count numbers being uploaded into the Indiana Department of Education's (IDOE) system for the Claims for Reimbursement were not in agreement with supporting documentation for November 2012 and August 2013. Sales and Meal Count Reports generated by the School Corporation for the two months indicated 57,291 meals were served, but the amount reported to the IDOE for the two months was 57,426, an overstatement of 135 meals.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

7 CFR section 210.7(c) states in part:

"(c) *Reimbursement Limitations.* To be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation.

BROWNSBURG COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (1) *Lunch Count System.* To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum: . . .
- (iii) Base claims for Reimbursement on lunch counts, taken at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children;
  - (iv) Correctly record, consolidate and report those lunch and supplement counts on the Claim for Reimbursement; and
  - (v) Ensure that Claims for Reimbursement not request payment for any excess lunches produced, as prohibited in §210.10(a)(2), or non-Program lunches (i.e., a la carte or adult lunches) or for more than one meal supplement per child per day."

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. Non-compliance 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, and ensure compliance related to the grant agreement and compliance requirements listed above.

***FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: U.S. 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): 3305  
Pass-Through Entity: Indiana Department of Education

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Year (or Other Identifying Number): 12-3305, 13-3305  
Pass-Through Entity: Indiana Department of Education

Federal Agency: U.S. Department of Education  
Federal Program: English Language Acquisition State Grants  
CFDA Number: 84.365  
Federal Award Numbers and Year (or Other Identifying Number): 0112-027-PN01, 0113-027-PN01,  
0114-027-PN01  
Pass-Through Entity: Indiana Department of Education

BROWNSBURG COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Federal Agency: U.S. Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Number and Year (or Other Identifying Number): 10-3305, 11-3305, 12-3305,  
13-3305

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 compliance requirement relating to Allowable Costs/Cost Principles. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that appropriate certifications or personnel activity reports were maintained in compliance with program requirements. Certifications and personnel activity reports were not completed for full-time and part-time employees paid from the School Breakfast and National School Lunch Programs, the Title I Grants to Local Educational Agencies program, English Language Acquisition State Grants, and Improving Teacher Quality State Grants during the audit period.

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-87, Attachment B, item 8(h), states in part:

- "(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 semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- (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."

BROWNSBURG COMMUNITY SCHOOL CORPORATION  
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."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with grant agreements or 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, and ensure compliance related to the grant agreements and compliance requirements listed above.



# **BROWNSBURG COMMUNITY SCHOOL CORPORATION**

## **F.L. O'NEAL ADMINISTRATION CENTER**

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(317) 852-5726  
www.brownsburg.k12.in.us

### **CORRECTIVE ACTION PLAN**

#### ***FINDING 2014-001***

Contact Person Responsible for Corrective Action: Director of Finance  
Contact Phone Number: 317-852-5726

#### **Description of Corrective Action Plan:**

1. Between the dates of July 1 and July 15 of each calendar year a Fund Detail Report will be generated by the Deputy Treasurer. This report will be for the time period July 1 to June 30 of the following year.
2. The Director of Finance will verify the accuracy of this data.
3. The Director of Finance will provide this data to the Supervisor of Food Services and Director of Operations.
4. The Supervisor of Food Services will verify the receipts and disbursements.
5. The Supervisor of Food Services will then provide the Special Programs Funding Facilitator with proper data to input into the Gateway Annual Financial Report.
6. This report will be completed prior to the statutory deadline of September 1

Anticipated Completion Date: April 1, 2016

#### ***FINDING 2014-002***

Contact Person Responsible for Corrective Action: Supervisor of Food Services  
Contact Phone Number: 317-852-5726

#### **Description of Corrective Action Plan:**

The process resulting in this finding was the manual tracking of student meals served at a remote site (Harris Academy) from the main serving kitchen (West Middle School). With the installation of a full kitchen at Harris, this process has been halted for the past two years.

In addition, BCSC's Food Services Department now requires all meal transactions to be processed through the department's Point Of Sale system; manual documentation and tracking of student meals is no longer permitted. The POS system provides the ability for edit checks to be made at regular intervals. The Food Services Supervisor reviews the edit checks daily and individual school Food Service Managers are required to review and sign off on their edit checks monthly.

Anticipated Completion Date:

The above described actions have been completed as of this date.

***FINDING 2014-003***

Contact Person Responsible for Corrective Action: Director of Finance

Contact Phone Number: 317-852-5726

Description of Corrective Action Plan:

With regard to certification of payroll for U.S. Department of Agriculture grant funds administered through the School Breakfast and National School Lunch Programs, the BCSC Food Services Department is now submitting the necessary certifications. Because all BCSC Food Services staff are paid only through the Food Service Fund, the certification is being submitted for all staff by the BCSC Food Services Supervisor. The Semi-Annual Employee Certification Form is first verified by each building level cafeteria manager and then confirmed by the Corporation Supervisor of Food Services in order to have a higher level of internal controls and segregation of duties.

With regard to certification of payroll for U. S. Department of Education Title I Grants to LEAs, the BCSC Coordinator of Curriculum and Special Programs began submitting necessary certifications with the 2013-2014 school year. BCSC staff who are split-funded maintain monthly Time & Effort logs while staff paid solely through Title I are verified with Semi-Annual Certification. Both the Time & Effort Logs and the Semi-Annual Certification forms are first verified by building level administrators and then confirmed by the Coordinator of Curriculum and Special Programs (Title I grant administrator) in order to have a higher level of internal controls and segregation of duties.

With regard to certification of payroll for U. S. Department of Education English Language Acquisition State Grants, the BCSC Coordinator of Curriculum and Special Programs began submitting necessary certifications with the 2013-2014 school year. BCSC staff who are split-funded maintain monthly Time & Effort logs while staff paid solely through Title III are verified with Semi-Annual Certification. Both the Time & Effort Logs and the Semi-Annual Certification forms are first verified by building level administrators and then confirmed by

the Coordinator of Curriculum and Special Programs (Title III grant administrator) in order to have a higher level of internal controls and segregation of duties.

With regard to certification of payroll for U. S. Department of Education Improving Teacher Quality State Grants, the BCSC Coordinator of Curriculum and Special Programs began submitting necessary certifications with the 2013-2014 school year. BCSC staff who are split-funded maintain monthly Time & Effort logs while staff paid solely through Title IIA are verified with Semi-Annual Certification. Both the Time & Effort Logs and the Semi-Annual Certification forms are first verified by building level administrators and then confirmed by the Coordinator of Curriculum and Special Programs (Title IIA grant administrator) in order to have a higher level of internal controls and segregation of duties.

Anticipated Completion Date:

The above described actions have been completed as of this date.

Kendall Herlihy

(Signature)

Director of Finance

(Title)

3-28-16

(Date)

BROWNSBURG COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS***

The designated building level personnel for Reagan Elementary School for the February 2014 period did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

***CURRICULUM RENTAL CHARGES***

The School Corporation has been charging 33 percent of the retail price for college course textbook rental fees each year.

During the audit period, Indiana Code 20-26-12-2 stated in part:

"(a) A governing board may purchase from a publisher any curricular material selected . . . the governing body may rent the curricular materials to students . . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials . . . the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been: (1) extended for usage by students under section 24(e) of this chapter; and (2) paid for through rental fees previously collected."



# **BROWNSBURG COMMUNITY SCHOOL CORPORATION**

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Indianapolis, IN 46204-2765

March 30, 2016

### OFFICIAL RESPONSE

To Whom it May Concern:

This letter is in response to our most recent audit results and comments. Each building administrator is to provide a certification page for the building level ADM enrollment. Although only one of our buildings failed to deliver this certification, and while all enrollment data was reported accurately and in a timely manner; we have addressed the internal procedural recording process for ADM reporting. Furthermore, assuring that each certification page is properly signed and retained until all audits are complete for that reporting cycle. Brownsburg Community School Corporation is aware of the curriculum rental charges as they relate to IC 20-26-12-2. We plan to have discussions with legislators to address this concern and will suggest new legislation be enacted to alleviate this consequence as a result of providing Dual Credit opportunities to our students.

Sincerely,

Dr. Kendall Hendricks  
Director of Finance  
Brownsburg Community School Corporation

BROWNSBURG COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 28, 2016, with Adam Brower, President of the School Board; Dr. James Snapp, Superintendent of Schools; Dr. Kendall Hendricks, Treasurer; Barry Gardner, Director of Finance; Sarah Shade, Deputy Treasurer; and Teresa Hemmerle, Deputy Treasurer.