

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ATTICA CONSOLIDATED SCHOOL CORPORATION

FOUNTAIN 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                        | Carrie R. Brier                      | 07-01-13 to 06-30-16                         |
| Superintendent<br>of Schools     | Derek Marshall                       | 07-01-13 to 06-30-16                         |
| President of the<br>School Board | Dan DeSutter<br>Michael Wriighthouse | 07-01-13 to 06-30-14<br>07-01-14 to 06-30-16 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ATTICA CONSOLIDATED SCHOOL  
CORPORATION, FOUNTAIN COUNTY, INDIANA

This report is supplemental to our audit report of the Attica Consolidated School Corporation (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/](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

April 13, 2016

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING***

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. 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 failure to establish these controls could enable material misstatements or irregularities to remain undetected. The following deficiencies constitute material weaknesses.

1. **Lack of Segregation of Duties:** The School Corporation has not separated incompatible activities related to receipts. The Treasurer issues receipts, prepared deposits, recorded receipts to the ledger, and reconciled the ledger balances to the depository balances. The failure to establish adequate controls could enable material misstatements or irregularities to remain undetected.
2. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

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)

***FINDING 2015-002 - 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 for the year ended June 30, 2014:

1. School Breakfast Program federal expenditures were understated by \$44,291.
2. National School Lunch Program federal expenditures were understated by \$194,606.
3. Summer Food Service Program for Children federal expenditures were understated by \$7,098.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

4. Title I Grants to Local Educational Agencies federal expenditures were understated by \$221,867.
5. Special Education-Grants to States federal expenditures were understated by \$52,983.
6. Special Education-Preschool Grant federal expenditures were understated by \$111.

We noted the following errors for the year ended June 30, 2015:

1. School Breakfast Program federal expenditures were understated by \$51,668.
2. National School Lunch Program federal expenditures were understated by \$219,507.
3. Summer Food Service Program for Children federal expenditures were understated by \$5,995.
4. Title I Grants to Local Educational Agencies federal expenditures were understated by \$115,548.
5. Special Education-Grants to States federal expenditures were overstated by \$29,678.

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 in part:

"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:

ATTICA CONSOLIDATED SCHOOL CORPORATION  
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.

. . .

***FINDING 2015-003 - CASH MANAGEMENT, MAINTENANCE OF EFFORT, AND REPORTING***

Federal Agency: Department of Education

Federal Programs: Special Education - Grants to States, Special Education - Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers: 14213-074-PN01, 14214-074-PN01, 14215-074-PN01,  
99910-074-PN01, 45714-074-PN01, 45715-074-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, Maintenance of Effort, and Reporting. 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 and Reporting*

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with Cash Management and Reporting requirements. There were no controls in place to ensure that required reports were accurate and properly filed. Requests for reimbursement reports were required to be submitted to receive grant funding; however, requests were independently prepared and filed by the Corporation Treasurer. There was no segregation of duties, such as an oversight, review, or approval process.

*Maintenance of Effort*

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with Maintenance of Effort requirements. The Treasurer independently prepared the Maintenance of Effort report. There was no segregation of duties, such as an oversight, review, or approval process.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. 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 controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2015-004 - 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 Numbers: 13-2435, 14-2435, 15-2435  
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, Eligibility, Reporting, and Special Tests and Provisions - Schoolwide Programs. 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.

*Cash Management and Reporting*

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with Cash Management and Reporting requirements. There were no controls in place to ensure that required reports were accurate and properly filed. Requests for reimbursement reports were required to be submitted to receive grant funding; however, requests were independently prepared and filed by the Corporation Treasurer. There was no segregation of duties, such as an oversight, review, or approval process.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Eligibility*

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with Eligibility requirements. Eligibility for schoolwide programs is dependent upon information submitted to the Indiana Department of Education regarding students eligible for free and reduced price meals. The School Corporation had no controls in place to ensure that the enrollment and poverty data reported in the grant applications was accurate. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Schoolwide Programs*

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the Special Tests and Provisions - Schoolwide Programs requirements. The School Corporation had no controls in place to ensure that the enrollment and poverty data reported in the grant applications was accurate, or that the plan contained the required components. There was no segregation of duties, such as an oversight, review, or approval process.

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. 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 controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers: 13-2435, 14-2435, 15-2435  
Pass-Through Entity: Indiana Department of Education

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements. There were no controls in place to ensure that documentation verifying the qualifications of paraprofessionals was maintained. An oversight, review, or approval process has not been established.

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.

The School Corporation did not fully comply with the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals which require the employment of highly qualified paraprofessionals for the Title I, Part A program. The School Corporation did not have documentation required to verify compliance with the highly qualified criteria for 100 percent of paraprofessionals tested.

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."

34 CFR 110.20 states in part:

"A recipient also has responsibility to maintain records, provide information, and to afford ED access to its records to the extent required for ED to determine whether the recipient is in compliance with the Act and these regulations."

34 CFR 200.58 states in part:

"(b) *All paraprofessionals.* A paraprofessional covered under paragraph (a) of this section, regardless of the paraprofessional's hiring date, must have earned a secondary school diploma or its recognized equivalent.

(c) *New paraprofessionals.* A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have—

- (1) Completed at least two years of study at an institution of higher education;

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (2) Obtained an associate's or higher degree; or
- (3)(i) Met a rigorous standard of quality, and can demonstrate—through a formal State or local academic assessment—knowledge of, and the ability to assist in instructing, as appropriate—
  - (A) Reading/language arts, writing, and mathematics; or
  - (B) Reading readiness, writing readiness, and mathematics readiness.
- (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.
- (d) *Existing paraprofessionals.* Each paraprofessional who was hired on or before January 8, 2002 must meet the requirements in paragraph (c) of this section no later than January 8, 2006.
- (e) *Exceptions.* A paraprofessional does not need to meet the requirements in paragraph (c) or (d) of this section if the paraprofessional—
  - (1) (i) Is proficient in English and a language other than English; and (ii) Acts as a translator to enhance the participation of limited English proficient children under subpart A of this part; or
  - (2) Has instructional-support duties that consist solely of conducting parental involvement activities. "

The failure to establish internal controls enabled 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. Additionally, we recommend that the School Corporation comply with Special Tests and Provisions-Highly Qualified Teachers and Paraprofessionals requirements of the program.

***FINDING 2015-006 - REPORTING, PROCUREMENT AND SUSPENSION AND DEBARMENT, AND SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Years: FY13-14, FY14-15  
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 the following compliance requirements: Reporting; Procurement and Suspension and Debarment, and Special Tests and Provisions - Paid Lunch Equity. The failure to establish an effective internal control system places the School Corporation

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.

*Reporting*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted. The Food Service Director independently prepared and submitted all required reports. There was no segregation of duties, such as an oversight, review, or approval process.

*Procurement and Suspension and Debarment*

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with the Procurement and Suspension and Debarment requirements. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Paid Lunch Equity*

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity requirements. There were no procedures in place to ensure that documentation of the calculations was maintained or that the lunch prices charged were approved by the School Board. An oversight, review, or approval process has not been established.

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. 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 controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-007 - ELIGIBILITY***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Years: FY13-14, FY14-15  
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Eligibility compliance requirement. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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 compliance with the Eligibility requirements. There was no internal control in place to ensure that eligibility for free and reduced price meals was accurately determined, that the proper documentation of eligibility was maintained, that applicants were notified of their eligibility, or that students were removed from the eligibility list when applicable. There was no segregation of duties, such as an oversight, review, or approval process.

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.

There was no evidence that the School Corporation notified parents of the approval or denial of their applications. The Indiana Department of Education performed a review of all students receiving benefits for the 2013-2014 school year. They reported that in six cases, households approved from the previous year continued to receive benefits for the current school year. During testing, it was noted that 11 out of 40 students tested that received benefits in the 2014-2015 school year did not have an application on file or were not documented as being directly certified.

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."

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 245.6(c) states:

- "(6) *Notice of approval-*(i) *Income applications.* The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application form from the household.
- (ii) *Direct Certification.* Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free or reduced price school meals or milk is required. The notice of eligibility must also inform the household that the parent or guardian must notify the local educational agency if they do not want their children to receive free benefits. However, when the parent or guardian transmits a notice of eligibility provided by SNAP, FDPIR or TANF office, the local educational agency is not required to provide a separate notice of eligibility. The local educational agency must notify in writing, households with children who are approved on the basis of documentation that they are *Categorically Eligible*, as defined in §245.2, that their children are eligible for free meals or free milk, and that no application is required."

7 CFR 245.6(c) states:

"(c) *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."
- (2) *Use of prior year's eligibility status.* Prior to the processing of applications or the completion of direct certification procedures for the current school year, children from households with approved applications or documentation of direct certification on file from the preceding year shall be offered reimbursable free and reduced price meals or free milk, as appropriate. The local educational agency must extend eligibility to newly enrolled children when other children in their household (as defined in §245.2) were approved for benefits the previous year. However, applications and documentation of direct certification from the preceding year shall be used only to determine eligibility for the first 30 operating days following the first operating day at the beginning of the school year, or until a new eligibility determination is made in the current school year, whichever comes first.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(3) *Exceptions for year-long duration of eligibility—*

(i) *Voluntary reporting of changes.* Households are not required to report changes in circumstances during the school year, but a household may voluntarily contact the local educational agency to report any changes. If the household voluntarily reports a change in income or in program participation that would result in loss of categorical eligibility, the local educational agency may only reduce benefits if the household requests the reduction in writing, for example, by submitting a new application."

7 CFR 245.6 (e) states:

*"Recordkeeping.* The local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain, except that if audit findings have not been resolved, the documentation must be maintained as long as required for resolution of the issues raised by the audit."

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 compliance requirements. Additionally, we recommend that the School Corporation comply with Eligibility requirements of the programs.

***FINDING 2015-008 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS***

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

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 Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirement. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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 compliance with Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements. The Food Service Director was solely responsible for the verification process. There were no controls in place to ensure that the proper number of applications was subject to verification or that supporting documentation of the verification process was maintained. There was no segregation of duties, such as an oversight, review, or approval process.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the 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.

The School Corporation did not properly complete the verification of free and reduced price applications or maintain supporting documentation of the process. In the 2013-2014 school year, the minimum number of applications required to be verified was five, but only four applications were retained for audit. In 2014-2015, the minimum number of applications required to be verified was four, but no applications were retained for audit.

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 245.6a(c) states in part:

"(c) *Verification requirement*—

(1) *General.* The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . .

(3) *Standard sample size.* Unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:

(i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or

(ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year.

(iii) Local educational agencies shall not exceed the standard sample size in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable, and, unless eligible for one of the alternative sample sizes provided in paragraph (c)(4) of this section, the local educational agency shall not use a smaller sample size than those in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable.

(iv) If the number of error-prone applications exceeds the required sample size, the local educational agency shall select the required sample at random, i.e., each application has an equal chance of being selected, from the total number of error-prone applications."

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 compliance requirements. Additionally, we recommend that the School Corporation comply with the Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements of the programs.

***FINDING 2015-009 - PROCUREMENT***

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

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 compliance requirement. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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 compliance with the Procurement. There were no controls in place to ensure that the School Corporation followed the required procedures for all applicable purchases. There was no segregation of duties, such as an oversight, review, or approval process.

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.

There was no evidence that the governing body issued an invitation to bidders, evaluated bids, awarded bids, or approved the contracts for all milk procurements of the program. It could not determine whether prescribed purchasing procedures were followed but were not properly documented in the minutes, or whether proper procedures were not followed.

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."

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 3016.36 states, in part:

"(b) *Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

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 compliance requirements and that the School Corporation comply with the Procurement requirements of the programs.

***FINDING 2015-010 - PROGRAM INCOME***

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Program Income compliance requirement. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. 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 compliance with Program Income requirements. There were not adequate controls to ensure that program income was deposited timely or properly recorded in the financial records. The School Corporation designed policies and procedures to ensure compliance with Program Income requirements; however, the policies and procedures were not properly implemented or were not effective. The procedures requiring a comparison of food service reports to the deposit of program income and investigation of any variances were not implemented. There was not proper segregation of duties, such as an effective oversight, review, or approval process.

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.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The program income collections reported by the individual schools did not agree to the amount deposited and recorded in the School Corporation's funds ledger for 27 of the 40 days tested. The amounts of the deposits were recorded in the ledger, not the amounts from the line reports which show amounts accumulated by the cash registers at the point of sale. The variances predominantly revealed that the amount of sales from the cash register exceeded the amount that was deposited. Net shortages included in the sample totaled \$931, which when projected to all sales results in a likely \$16,757 misstatement of program income. This amount of the likely misstatement is considered questioned costs.

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(c) states:

*"Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.20 Reporting and recordkeeping states in part:

"(b) *Recordkeeping summary.* Participating State agencies are required to maintain records to demonstrate compliance with Program requirements. The records include but are not limited to:

- (1) Accounting records and source documents to control the receipt, custody and disbursement of Federal Program funds . . ."

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

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 and properly implement controls, including segregation of duties, related to the grant agreement and compliance requirements for Program Income. Additionally, we recommended that the School Corporation comply with Program Income requirements.



**AdvancED District Accredited**

## **ATTICA CONSOLIDATED SCHOOL CORPORATION**

**205 E. SYCAMORE STREET  
ATTICA, INDIANA 47918  
765-762-7000  
FAX 765-762-7007**

### **CORRECTIVE ACTION PLAN**

#### ***FINDING 2015-001***

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

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

Being a small school, it is difficult to segregate duties. We have prepared a spreadsheet that the deputy treasurer will enter all incoming revenues prior to giving them to the treasurer for her to receipt and deposit.

Anticipated Completion Date: Started before audit was complete

#### ***FINDING 2015-002***

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

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

There were no instructions as to how this was to be completed. I did my best to provide the information that I felt was correct and accurate.

Anticipated Completion Date: 03/30/2016

#### ***FINDING 2015-003***

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

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

The treasurer will discuss the special education Part B and Special Education budgets and MOE's with the superintendent prior to their submission

Anticipated Completion Date: 03/30/2016

**Derek Marshall**  
Superintendent

**Miguel Rosales**  
Technology Director

**Carrie R. Brier**  
Treasurer

**Tim Roemer**  
Transportation Director

**Jodi Schmid**  
Food Service Director

**Jim Blankenship**  
Maintenance Director

***FINDING 2015-004***

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:  
The treasurer will go over the reimbursement form with the deputy treasurer

Anticipated Completion Date: 03/30/2016

***FINDING 2015-005***

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:  
We have implemented a checklist for new hires. We will work to do a better job at following the checklist to make sure the proper forms and documentation are on file for the employee.

Anticipated Completion Date: 03/30/2016

***FINDING 2015-006***

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:  
The food service director prepares the school lunch reimbursements. The treasurer will start reviewing them prior to their submission. In checking, I did find that the board did approve the increase to lunch pricing at the June 22, 2015 board meeting. I do not find documentation for board approval for 2014. The Board does approve the Student Handbook each year and lunch pricing is included within the handbook.

Anticipated Completion Date: 03/30/2016

***FINDING 2015-007***

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:  
The treasurer will be involved in the eligibility process and calculation of free and reduced lunch applications.

Anticipated Completion Date: 03/30/2016

**FINDING 2015-008**

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:  
The treasurer will be involved in the verification process. We will make sure the proper amount of applications are verified and retained.

Anticipated Completion Date: 03/30/2016

**FINDING 2015-009**

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:  
With Chartwell's being our food service vendor, they will receive bids, so there will be no need for the corporation to present bids. If we stop using this vendor, we will make sure bids are presented to the board for approval.

Anticipated Completion Date: 03/30/2016

**FINDING 2015-010**

Contact Person Responsible for Corrective Action: Carrie Brier  
Contact Phone Number: (765) 762-7002

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:  
I believe the online payments are causing the discrepancies of the deposit and the line report not matching. Our Director of Assessment and Instructional Technology, Amy Haley, has been talking with Harmony about this issue.

Anticipated Completion Date: 03/30/2016

Carrie R Brier  
(Signature)

Corp-Treasurer  
(Title)

03/30/2016  
(Date)

ATTICA CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***PENALTIES, INTEREST, AND OTHER CHARGES***

The School Corporation paid penalties, interest, and other charges to the Indiana Department of Revenue in the amount of \$5,955 because the School Corporation did not remit payments on a timely basis. The Treasurer subsequently requested and received reimbursement from the Indiana Department of Revenue for the penalties paid.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS***

The School Corporation does not have an approved written policy for collecting or writing off bad debts, including unpaid textbook rental and overdrawn student food accounts.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 9)

***COLLECTION OF AMOUNTS DUE***

The School Corporation has not pursued collection of overdrawn student food account balances. The net amounts of \$25,391 and \$26,577, respectively, were due to the School Corporation as of June 30, 2014, and June 30, 2015, for these overdrawn account balances. There were 107 and 99 accounts with negative balances in excess of \$50 as of June 30, 2014, and June 30, 2015, respectively. For the years ended June 30, 2014 and June 30, 2015, there were twelve and eight families, respectively, that had negative balances in excess of \$500. For the years ended June 30, 2014 and June 30, 2015, there were two and four families, respectively, that had negative balances in excess of \$1,000.

A similar comment was included in prior Report B43268.

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

ATTICA CONSOLIDATED SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Federal Single Audit Report for the School Corporation included the following funds with overdrawn cash balances:

| Fund                   | 06-30-14    | 06-30-15    |
|------------------------|-------------|-------------|
| School Bus Replacement | \$ (24,812) | \$ (24,646) |
| School Lunch           | (79,703)    | (12,382)    |
| School Technology      | (64,682)    | (38,878)    |
| Clearing Fund          | -           | (19,788)    |

A similar comment was included in prior Report B43268.

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

**FUND SOURCES AND USES**

During the audit period, the School Corporation disbursed \$106,515 from the Capital Projects fund and \$70,358 from the School Bus Replacement fund for the lease payments for personal learning devices. These disbursements should have been made from the Textbook Rental fund.

The School Corporation disbursed \$54,500 from the Textbook Rental fund and \$18,187 from the Capital Projects fund for the lease payments of a 2015 Bluebird School bus. These disbursements should have been made from the School Bus Replacement fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**APPROPRIATIONS**

The records presented for audit indicated that the expenditures for the General fund were in excess of budgeted appropriations for 2014 by \$268,660.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**DEPOSITS**

Receipts were deposited later than the next business day in twenty percent of receipts tested. One receipt for textbook rental was held for nineteen days before being deposited. Another check credited to a student's school food account in November 2013 was not deposited until March 2014.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(c) states in part: ". . . all local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance . . ."

**CREDIT CARDS**

The School Corporation used credit cards to purchase items without an approved credit card policy. In testing payments of credit cards claims, we noted four months with disbursement totaling \$7,072 which did not include proper itemization or supporting documentation. Due to the lack of supporting documentation, we were unable to verify the business nature of the disbursements. In addition, the School Corporation uses electronic fund transfers when making payment on the credit card. An approved electronic funds transfer policy was not presented for audit.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes. . . .
  
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee. . . .

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

The fiscal body may by ordinance or resolution authorize the transaction of business with a financial institution or a retirement fund administered by the public employees' retirement fund through the use of electronic funds transfer. The ordinance or resolution must: (1) Specify the types of transactions that may be conducted by electronic funds transfer; and (2) Require the proper officers to maintain adequate documentation of the transactions so that they may be audited as provided by law. [IC 5-13-5-5] (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 14)

ATTICA CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**OFFICIAL BONDS NOT RECORDED**

The following official bonds in effect for the audit period were not filed in the Office of the County Recorder:

|                                 |                             |
|---------------------------------|-----------------------------|
| Corporation Treasurer           | Guidance Secretary          |
| Food Service Director           | Athletic Director           |
| Cafeteria Manager               | Assistant Athletic Director |
| Textbook Clerk                  | Athletic Secretary          |
| Secretary to the Superintendent |                             |

The treasurer of the school corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty . . . The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. . . .

Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

**PUBLIC WORKS AND PUBLIC PURCHASES LAW**

The School Corporation constructed a multi-purpose building during the audit period. The total project cost was \$209,527; however, the School Corporation divided up the project into several small projects and did not solicit bids.

The School Corporation purchased a security system in September 2013 for \$79,613. The School Corporation did not invite three quotes for the security system.

Indiana Code 36-1-12-19(b) states: "The cost of a single public work project may not be divided into two (2) or more projects for the purpose of avoiding the requirement to solicit bids."

Indiana Code 5-22-8-3 states:

"(a) This section applies only if the purchasing agent expects the purchase to be:

- (1) at least fifty thousand dollars (\$50,000); and
- (2) not more than one hundred fifty thousand dollars (\$150,000).

(b) A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased.

(c) The purchasing agent shall mail an invitation to quote to the persons described in subsection (b) at least seven (7) days before the time fixed for receiving quotes.

(d) If the purchasing agent receives a satisfactory quote, the purchasing agent shall award a contract to the lowest responsible and responsive offeror for each line or class of supplies required.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (e) The purchasing agent may reject all quotes.
- (f) If the purchasing agent does not receive a quote from a responsible and responsive offeror, the purchasing agent may purchase the supplies under IC 5-22-10-10."

***ORDINANCES AND RESOLUTIONS***

The School Corporation has a mileage reimbursement policy; however, not all mileage reimbursements complied with the policy. Thirty percent of the mileage claims tested did not comply with the policy. An incorrect mileage reimbursement rate was used in all instances noted.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***PRESCRIBED FORMS***

The State Board of Accounts is responsible for prescribing and/or approving the accounting forms/records for all governmental units. The School Corporation did not always use the prescribed form General Form No. 101 for mileage nor have they requested approval for an alternative form in lieu of the prescribed form. The prescribed form was not used for 20 percent of the mileage reimbursement claims tested.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

***CURRICULAR MATERIALS RENTAL CHARGES***

The students in the School Corporation used personal learning devices in lieu of textbooks. The students were charged \$100 per school year for the rental charge. The rental charges were not approved by the School Board prior to implementation.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)

***EDUCATIONAL FEES***

The School Corporation charged various educational fees, such as art fees, physical education fees and lab fees. The School Corporation did not obtain a written opinion from the School Corporation's Attorney to verify these fees were appropriate in regards to the Constitutional provisions. In addition, these educational fees were receipted into the Textbook Rental fund instead of the General fund.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

***EXTRA-CURRICULAR ACCOUNT (ECA) RISK REPORT NOT FILED***

The Elementary and High Schools did not file an ECA Risk Report for the 2014-2015 school year.

Indiana Code 5-11-1-4 states in part: "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 filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

***COLLECTIVE BARGAINING AGREEMENT***

The collective bargaining agreement presented for audit contained specifics for teacher rights which is an item prohibited by Indiana Code.

Indiana Code 20-29-6-4.5 states in part:

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

. . . (5) Any subject not expressly listed in section 4 of this chapter. . . .

(c) A subject set forth in subsection (a) or (b) that may not be bargained collectively may not be included in an agreement entered into under this article."

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

"A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary
- (2) Wages
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

ATTICA CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

***SUPERINTENDENT CONTRACT***

The School Board did not hold a public meeting at least 7 days prior to entering into a contract with the Superintendent of Schools.

Indiana Code 20-26-5-4.3(a) states:

"At least seven (7) days before a contract for employment is entered into by a governing body and a school superintendent, the governing body shall hold a public meeting on the proposed contract at which public comment is heard. The governing body is not required to disclose the identity of the candidate for superintendent at the public meeting."

ATTICA CONSOLIDATED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2016, with Michael Wriighthouse, President of the School Board; Derek Marshall, Superintendent of Schools; Carrie R. Brier, Treasurer; and Jodi Schmid, Deputy Treasurer.