

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CULVER COMMUNITY SCHOOL CORPORATION

MARSHALL COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
07/01/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Thomas L. Bendy	07-01-13 to 04-20-14
	Sherie L. Breitenbach	04-21-14 to 11-21-14
	(Vacant)	11-22-14 to 11-24-14
	Ben Lady (Interim)	11-25-14 to 11-30-14
	Kellie J. Manzuk	12-01-14 to 04-24-15
	(Vacant)	04-25-15 to 04-28-15
	Denise J. Chandler (Interim)	04-29-15 to 06-14-15
	Casey L. Howard	06-15-15 to 06-30-16
Superintendent of Schools	Bradley S. Schuldt	07-01-13 to 12-31-13
	Dr. Vicki McGuire	01-01-14 to 12-21-15
	Charles I. Kitchell (Interim)	12-22-15 to 06-30-16
President of the School Board	Ryan A. Sieber	01-01-13 to 12-31-13
	Jack L. Jones	01-01-14 to 12-31-14
	Ken VanDePutte	01-01-15 to 12-31-15
	James M. Wentzel	01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CULVER COMMUNITY SCHOOL
CORPORATION, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Culver Community 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/.

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 incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 14, 2016

CULVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

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

Condition

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). One person was solely responsible for preparing and submitting the SEFA without oversight, review, or approval.

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

1. The Department of Agriculture federal expenditures of \$708,403 were not included.
2. CFDA numbers were not included.
3. Clusters were not properly identified
4. Federal Grantor Agencies were not included.
5. Pass-thru Entities were not included.
6. Pass-thru Entities' Program ID numbers were not included.
7. Program names were not correct.
8. State Grants were included.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Criteria

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."

CULVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 . . . "

Cause

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan which is part of this report.

FINDING 2015-002 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation has not separated incompatible activities related to cash and investments, receipts, vendor, and payroll disbursements. One person issued receipts, recorded receipts, prepared the deposit tickets, and reconciled the bank balances to the record balances. One person independently prepared and processed payroll. One person independently prepared, recorded, and reconciled vendor disbursements. There was no segregation of duties, such as an oversight, review, or approval process.

CULVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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)

Cause

Management of the School Corporation has not established a proper system of internal control that would ensure accuracy in financial transactions and reporting.

Effect

The failure to establish controls could enable material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan which is part of this report.

FINDING 2015-003 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 13-5455, 14-5455, 15-5455

Pass-Through Entity: Indiana Department of Education

Condition

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 Cash Management and Reporting compliance requirements.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that monthly reimbursement reports and annual financial reports were accurate prior to submission. One person independently prepared and submitted the monthly reimbursement reports and the annual financial reports. There was no segregation of duties, such as an oversight, review, or approval process.

Context

Based on initial assessment of Title I Grants to Local Educational Agencies Program it was determined that there were no controls in place over Cash Management and Reporting. A review of several reports indicated that this is not an isolated incident.

CULVER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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."

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above. 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.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan which is part of this report.

Culver Community Schools Corporation

Mr. Charles Kitchell – Interim Superintendent

www.culver.k12.in.us

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Phone (574) 842-3364
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North Bend Township – Starke County
Tippecanoe Township – Pulaski County
Union Township – Marshall County

CORRECTIVE ACTION PLAN

FINDING 2015-001 – Preparation of the Schedule of Expenditure of Federal Awards

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

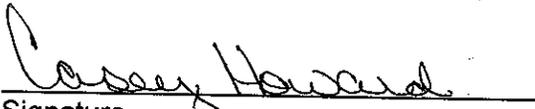
Views of Responsible Official:

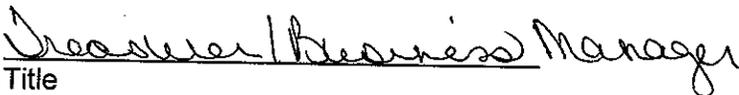
Description of Corrective Action Plan:

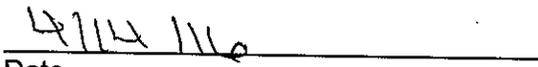
Going forward the Treasurer will complete the Schedule of Expenditures of Federal Awards (SEFA). After completion but before submission the Deputy Treasurer will review. After completion and review but before submission the Superintendent will approve.

Future submission of SEFA will include the Department of Agriculture grant, CFDA numbers, Federal Grantor Agencies, pass-thru entities, pass-thru entities program ID numbers and program names correctly. Treasurer will properly indentify clusters and not include state grants.

Anticipated Completion Date: August 2016


Signature


Title


Date

Culver Community Schools Corporation

Mr. Charles Kitchell – Interim Superintendent

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Union Township – Marshall County

CORRECTIVE ACTION PLAN

FINDING 2015-002 – Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Views of Responsible Official:

Description of Corrective Action Plan:

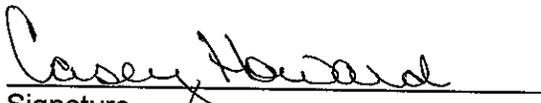
The Secretary will receive all deposits, the Secretary will give all deposits to the Deputy Treasurer to prepare for actual bank deposit. The Treasurer will review deposit and initial approval for submission to local bank. After the Deputy Treasurer submits deposits to bank the Treasurer will enter as receipts into financial software.

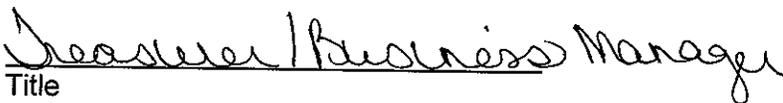
After Supervisors, Principals, etc. review and approve payroll they will be submitted to the Deputy Treasurer for processing. The Deputy Treasurer will process and complete the payroll procedures. The Treasurer will review payroll to verify and approve. The Board of Trustees will also approve in the following board meeting.

The Treasurer processes and completes all of the accounts payable. All invoices other than fixed invoices must have the Supervisors, Principals, Superintendent and/or purchase order signatures for approval. The Board of Trustees will also approve in the following board meeting.

The Treasurer balances monthly bank statements to financial software and creates monthly reports for the Board of Trustees. Prior to submitting financial statements and reports the Deputy Treasurer will review and approve. The Board of Trustees will also approve in the following board meeting.

Anticipated Completion Date: April 2016


Signature


Title


Date

Culver Community Schools Corporation

Mr. Charles Kitchell – Interim Superintendent

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CORRECTIVE ACTION PLAN

FINDING 2015-003 – Cash Management and Reporting

Contact Person Responsible for Corrective Action: Casey Howard
Contact Phone Number: 574-842-3364

Views of Responsible Official:

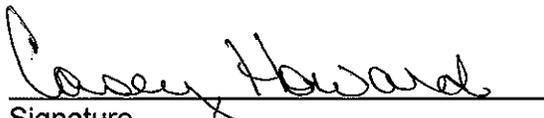
Description of Corrective Action Plan:

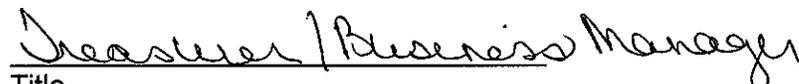
The Title I Coordinator and Treasurer will work together to create a budget for the upcoming Title I Grant. The Title I Coordinator will present the budget to the Board of Trustees for approval. Once approved the Treasurer will enter budget information into financial software.

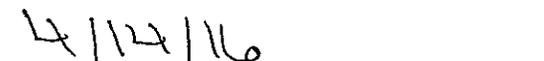
The Treasurer will prepare the monthly reimbursement report. The Superintendent will review and approve report. The Treasurer will then submit the report for reimbursement.

The annual financial report is submitted by the Title I Coordinator. The Treasurer creates all financials requested by the Title I Coordinator. The Title I Coordinator will create the annual report and the Superintendent will review and approve. The Title I Coordinator will then submit the annual financial report.

Anticipated Completion Date: July 2015


Signature


Title


Date

CULVER COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Financial Report for the 2013-2014 school year, was not filed electronically until September 22, 2014, which was 24 days past the due date.

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

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

PREPAID FOOD ACCOUNT

The School Corporation is not maintaining a Prepaid Food Account (8400). All prepayments are receipted directly into the School Lunch fund.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

CULVER COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 14, 2016, with Casey L. Howard, Treasurer; Charles I. Kitchell, Interim Superintendent of Schools; and Marina Cavazos, School Board Secretary.