

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
AVON COMMUNITY SCHOOL CORPORATION
HENDRICKS COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
07/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cheryl Leiter (Vacant) Juanita Lavy	07-01-12 to 10-31-15 11-01-15 to 01-04-16 01-05-16 to 06-30-16
Director of Finance and Operations	Brock Bowsher	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Margaret E. Hoernemann	07-01-12 to 06-30-16
President of the School Board	Kimberly L. Woodward Anne L. Engelhardt Kimberly L. Woodward	07-01-12 to 12-31-12 01-01-13 to 12-31-15 01-01-16 to 12-31-16



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

This report is supplemental to our audit report of the Avon 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/.

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

May 12, 2016

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Numbers: 84.010
Federal Award Numbers and Years: 12-3315, 13-3315, 14-3315
Pass-Through Entity: Indiana Department of Education

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Numbers and Years: FY 2013, FY 2014
Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with the Allowable Costs/ Cost Principles compliance requirement related to the Title I Grants to Local Educational Agencies program (Title I program) and the School Breakfast Program and the National School Lunch Program (Child Nutrition Cluster).

Semi-Annual Certifications Reports were not prepared for employees paid solely from the Child Nutrition Cluster or the Title I program. Personnel Activity Reports were not prepared for employees paid from various cost objectives including the Child Nutrition Cluster and the Title I program.

OMB A-87, Attachment B, Paragraph 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 semiannually 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. . . ."

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

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

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles requirements. We also recommended that the School Corporation maintain Semi-Annual Certifications Reports and Personnel Activity Reports for all employees paid from these federal programs.

FINDING 2014-002 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER (IDEA)

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Number): 14212-063-PN01, 45712-063-PN01,
EDS A58-3-13DL-1412,
14213-063-PN01, 45713-063-PN01,
14214-063-PN01, 45714-063-PN01,
99914-063-TA01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, related to the following compliance requirements that have a direct and material effect to the programs: Cash Management, Period of Availability, and Reporting. The failure to establish an effective internal control system placed 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 submitted requests for reimbursement to the Indiana Department of Education. The School Corporation Treasurer was the only individual involved in the preparation and submission of the requests for reimbursement. There were no controls in place to ensure the reimbursement requests were accurate and the period of availability requirements were met.

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

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

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

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls could have 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 agreements and compliance requirements listed above.



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April 21, 2016

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**AVON COMMUNITY SCHOOL CORPORATION OFFICIAL RESPONSE
TO AUDIT ENDING JUNE 30, 2014**

In response to the Avon Community School Corporation (ACSC) financial audit for the period ending June 30, 2014, please see comments below:

1. FINDING 2014-001

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 12-3315, 13-3315, 14-3315
Pass-Through Entity: Indiana Department of Education

Federal Agency: Department of Education
Federal Program: National School Lunch Program and School Breakfast Program
CFDA Number: 10.555 and 10.553
Federal Award Number and Year: FY 2013 and FY 2014
Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action:

Ms. Sheila Glass, Grants Specialist (Title I)

Ms. Emily Cates, Food Service Administrator (National School Breakfast & Lunch Program)

Contact Phone Number: Ms. Sheila Glass 317-544-6000 x6087
Ms. Emily Cates 317-544-6061

Views of Responsible Official: ACSC understands the reasoning for the finding.

Description of Corrective Action Plan:

- ACSC has updated internal Title I processes effective for the 2015-16 school year. ACSC began filing time and effort records for the Title I grant with the October 2015 grant monitoring report. ACSC considers current processes are compliant as of the date of this correspondence.

Board of School Trustees

Pamela J. DeWeese
Anne L. Engelhardt
John K. McDavid
David D. Webb
Kimberly L. Woodward

Administration

Superintendent
Margaret E. Hoernemann, Ph.D.
Assistant Superintendents
John F. Atha, Ed.D.
Maryanne B. McMahan, Ph.D.
Director
Brock J. Bowsher

- The ACSC Food Service Department will complete a semi-annual certification for all food service employees beginning the six-month period of January to June 2016. The document will certify that 100% of food service employee time is for activities authorized by federal child nutrition programs. We were unaware of this requirement but will implement going forward. Attached is the documentation form that will be used.

Anticipated Completion Date: June 2016

2. FINDING 2014-002
EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Program: Special Education_ Grants to States and Special
Education_Preschool Grants

CFDA Number: 84.027 and 84.173

Federal Award Number and Year (or Other Identifying Number): 14212-063-
PN01, 45712-063-PN01, EDS A58-3-13DL-1412, 14213-063-PN01, 45713-
063-PN01, 1414-063-PN01, 45714-063-PN01, 9914-063-TA01

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action:

Ms. Sheila Glass, Grants Specialist

Contact Phone Number: Ms. Sheila Glass 317-544-6000 x6087

Views of Responsible Official: ACSC understands the reasoning for the finding.

Description of Corrective Action Plan:

- ACSC updated internal control systems for Special Education Cluster grants once a new grant specialist position was created and hired effective August 2015. The Grant Specialist is responsible for managing all federal, state, and local grants. The Grant Specialist maintains and completes all cash management, reporting compliance requirements, and reimbursement requests. ACSC considers current processes are compliant as of the date of this correspondence.

Anticipated Completion Date: Previously Completed effective August 2015

Respectfully Submitted,



Brock J. Bowsher

Director of Finance & Operations

Avon Community School Corporation

Phone: (317) 544-6000 x6014

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bjbowsher@avon-schools.org

CC: Dr. Margaret Hoernemann, Superintendent

AVON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The Financial Statement presented in the Financial Statement and Single Audit Report of the School Corporation included the following funds with overdrawn cash balances as of June 30, 2013 and 2014:

Fund	Amount Overdrawn As Of June 30,	
	2013	2014
ECA Field Trip Fund	\$ 48,861	\$ 18,510
Avon Educational Foundation	-	1,397
Gordman's Donation Fund	-	241
Textbook Rental	-	217,178

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)

PREPAID FOOD

Receipts for daily sales and prepaid lunch are accounted for in the School Lunch Fund Account (800). At the end of each month the receipts for sales and prepaid accounts are remitted by the Food Service Department to the School Corporation. The School Corporation posts the revenue of the sales and prepaid accounts to the School Lunch Fund. A separate clearing account for the prepaid food account activity had not been established.

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

AVON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2016, with Brock Bowsher, Director of Finance and Operations; Dr. Margaret E. Hoernemann, Superintendent of Schools; Kimberly L. Woodward, President of the School Board; and Sheila Glass, Grant Specialist.