

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
CLINTON PRAIRIE SCHOOL CORPORATION  
CLINTON COUNTY, INDIANA  
July 1, 2013 to June 30, 2015



**FILED**  
07/15/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2015-001 - Financial Transactions and Reporting .....	4
Finding 2015-002 - Preparation of the Schedule of Expenditures of Federal Awards .....	4-5
Finding 2015-003 - Internal Control Over Child Nutrition Cluster.....	5-6
Finding 2015-004 - Internal Control Over Special Education Cluster .....	6-7
Finding 2015-005 - Special Tests and Provisions - Paid Lunch Equity.....	8-9
Corrective Action Plan.....	10-11
Audit Results and Comments:	
Collective Bargaining Agreement .....	12
Average Daily Membership .....	12
Exit Conference .....	13

#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amanda Mitchell	07-01-13 to 06-30-16
Superintendent of Schools	Chris Sampson	07-01-13 to 06-30-16
President of the School Board	Dr. Timothy Snyder	07-01-13 to 12-31-16



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE CLINTON PRAIRIE SCHOOL  
CORPORATION, CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of the Clinton Prairie 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 21, 2016

CLINTON PRAIRIE 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.

1. Lack of Segregation of Duties

The School Corporation had not separated incompatible activities related to receipts. The Treasurer received funds, recorded receipts, and made bank deposits without oversight or review. The failure to establish adequate controls could have enabled material misstatements or irregularities to remain undetected. Control activities should have been in place to reduce the risks of errors in financial reporting.

2. Monitoring of Controls:

An evaluation of the School Corporation's system of internal control had not been conducted. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been 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 had 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). Information on the SEFA was not reviewed to verify that all grants were included and that amounts were accurate prior to submission. The School Corporation should have had 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.

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.

CLINTON PRAIRIE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

***FINDING 2015-003 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY 13-14, FY 14-15

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 grant agreement and the following compliance requirements: Cash Management, Eligibility, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications. 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 have also allowed noncompliance with compliance requirements and allowed 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 had 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. The Nutritional Director independently prepared the Requests for Reimbursement reports for the Child Nutrition Cluster. There was no segregation of duties, such as an oversight, review, or approval process.

*Eligibility*

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with Eligibility requirements. There were no controls in place to ensure that eligibility determinations were performed when required or were accurate. The Nutritional Director independently completed the eligibility determinations. There was no segregation of duties, such as an oversight, review, or approval process.

*Procurement and Suspension and Debarment*

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with Suspension and Debarment requirements. The School Corporation did not have controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. There was no segregation of duties, such as an oversight, review, or approval process.

CLINTON PRAIRIE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Special Tests and Provisions - Verification of Free and Reduced Price Applications*

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements. There were no controls in place to ensure that the verifications were performed and reported accurately. The Nutritional Director independently completed the verification of free and reduced price applications and independently prepared the Verification Summary. 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 have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted 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 CONTROL OVER SPECIAL EDUCATION CLUSTER***

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 and Years (or Other Identifying Numbers): 14213-099-PN01, 14215-099-PN01,  
5250-5259, 99914-099-TA01,  
45712- 099-PN01

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 grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Equipment and Real Property Management, and Level of Effort - Maintenance of Effort. 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 have also allowed non-compliance with compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.



CLINTON PRAIRIE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Activities Allowed or Unallowed and Allowable Costs/Cost Principles*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program expenditures were in compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Program expenditures were not always reviewed or approved to indicate that the expenditures were for allowable activities or for allowable costs. There was no segregation of duties, such as an oversight, review, or approval process.

*Equipment*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Equipment requirements. There were no controls in place to ensure that capital assets purchased with federal funds were properly recorded in the capital asset records of the School Corporation. There was no segregation of duties, such as an oversight, review, or approval process.

*Level of Effort - Maintenance of Effort*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Level of Effort - Maintenance of Effort (MOE) requirements. There were no controls in place to ensure that MOE was properly calculated and reported in the grant application. 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 have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted 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.

CLINTON PRAIRIE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program  
CFDA Numbers: 10.555  
Federal Award Years: FY 13-14, FY 14-15  
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 grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The failure to establish an effective internal control system placed 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 have also allowed non-compliance with compliance requirements and allowed 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 - Paid Lunch Equity requirements. There were no controls in place to ensure that the paid lunch equity calculations were made as required, or that they were accurate when made. In addition, there were no controls to ensure that meal prices were approved by the School Board. 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 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 - Paid Lunch Equity requirement. The School Corporation did not perform the necessary calculations for paid lunch equity, nor did the School Board review or approve lunch prices for FY 14-15.

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 210.149(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

CLINTON PRAIRIE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (1) *Calculation procedures.* Each school food authority shall:
- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
  - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
  - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement could have resulted 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 Special Tests and Provisions - Paid Lunch Equity compliance requirement. In addition, we recommend that the School Corporation comply with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

# Clinton Prairie School Corporation

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## Corrective Action Plan

Contact Person Responsible for Corrective Action: Amanda Mitchell

Contact Phone Number: 765-659-1339

### Finding 2015-001

Clinton Prairie School Corporation will implement new internal controls subsequent to the State Board of Accounts finding referenced above. Various procedures will be put into place which will include adding another employee in the receipt process.

Anticipated Completion Date: Immediately

### Finding 2015-002

Clinton Prairie School Corporation will implement new internal controls subsequent to the State Board of Accounts finding referenced above. The superintendent will be included in the review process for the Schedule of Expenditures of Federal Awards (SEFA) to ensure accuracy of reporting.

Anticipated Completion Date: Immediately

### Finding 2015-003

Clinton Prairie School Corporation will implement new internal controls subsequent to the State Board of Accounts finding referenced above. New procedures will be implemented to ensure reports are accurate and properly filed. The food service director will continue to process applications to determine eligibility for the program. The principal will review those applications. A corporate level employee will verify that vendors are in compliance with the Suspension and Debarment requirements. The verification process will be performed by a corporation level employee. The food service director will continue to prepare the reimbursement claim and will have it reviewed by the principal before she submits the request.

Anticipated Completion Date: 2016-17 School Year

**Finding 2015-004**

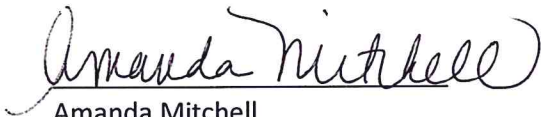
Clinton Prairie School Corporation will implement new internal controls subsequent to the State Board of Accounts finding referenced above. The treasurer will prepare the grant budget. The special education director will review the budget. The special education director will be responsible for ordering any equipment in the budget through the purchase order process. The treasurer will review claims for allowability. A new policy will be designed to ensure proper records are kept for capital assets purchased with federal funds. The treasurer will prepare the reimbursement request and required reports and the superintendent will review it for accuracy and that it is for the proper period before submission. The treasurer will prepare Level of Effort – Maintenance of Effort. The superintendent will review to ensure that the requirements are being met.

Anticipated Completion Date: 2016-17 School Year

**Finding 2015-005**

Clinton Prairie School Corporation will implement new internal controls subsequent to the State Board of Accounts finding referenced above. The food service director will prepare and maintain calculations for each school year and increase lunch prices accordingly, if necessary.

Anticipated Completion Date: 2016-17 School Year

A handwritten signature in black ink that reads "Amanda Mitchell". The signature is written in a cursive, flowing style.

Amanda Mitchell

Treasurer

July 6, 2016

CLINTON PRAIRIE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**COLLECTIVE BARGAINING AGREEMENT**

The collective bargaining agreement entered into on September 30, 2015, contained Article VII, Section E which included the subject of "Teacher Rights".

Indiana Code 20-29-6-4.5(a) states in part: "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."

Indiana Code 20-29-6-4 states:

"(a) 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.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1.5, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

**AVERAGE DAILY MEMBERSHIP**

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership (ADM) claimed was accurate.

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

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

CLINTON PRAIRIE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 21, 2016, with Amanda Mitchell, Treasurer; Chris Sampson, Superintendent of Schools; and Dr. Timothy Snyder, President of the School Board.