

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
FRANKTON-LAPEL COMMUNITY SCHOOLS  
MADISON COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
07/15/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2014-001 - Preparation of the Schedule of Expenditures of Federal Awards .....	4-5
Finding 2014-002 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability .....	5-6
Finding 2014-003 - Cash Management and Reporting .....	6-8
Finding 2014-004 - Reporting and Special Tests and Provisions .....	8-9
Finding 2014-005 - Cash Management.....	9-10
Finding 2014-006 - Equipment and Real Property Management.....	10-11
Finding 2014-007 - Cash Management.....	11-12
Corrective Action Plan.....	13-15
Audit Results and Comments:	
Annual Financial Report .....	16
Public Records Retention .....	16
Overdrawn Cash Balances .....	16
Appropriations.....	17
Accounting for Prepaid Food Receipts .....	17
Average Daily Membership (ADM) - Lack of Certification .....	17
Errors on Credit Card Claims .....	18
Exit Conference .....	19

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Hall	07-01-12 to 06-30-16
Superintendent of Schools	Bobby Fields	07-01-12 to 06-30-16
President of the School Board	Joseph Kelich	07-01-11 to 12-31-13
	Brian Gill	01-01-14 to 12-31-14
	Joseph Kelich	01-01-15 to 12-31-15
	Tami Davis	01-01-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY  
SCHOOLS, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the Frankton-Lapel Community Schools (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

May 12, 2016

FRANKTON-LAPEL COMMUNITY SCHOOLS  
FEDERAL FINDINGS

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

We noted a deficiency in the internal control system of the School Corporation related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The School Corporation Treasurer prepared the SEFA; however, there were no controls in place to ensure that the prepared SEFA was complete and accurate prior to submission.

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:

(a) total federal expenditures were incorrectly reported due to the Title I 2012-13 grant expenditures being left off the schedule, a state grant being incorrectly included, Child Nutrition Cluster amounts included program income in error, special education cooperative funds not being reported and several posting errors; and

(b) information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted for some grant awards.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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

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

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

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

FRANKTON-LAPEL COMMUNITY SCHOOLS  
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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2014-002 - ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES, PERIOD OF AVAILABILITY***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-5245, 13-5245, 14-5245

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, and Period of Availability. The failure to establish an effective internal control system placed the School Corporation at risk of non-compliance 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.

*Activities Allowed or Unallowed*

Prior to March 2013, there were no controls in place to ensure the accuracy of the reimbursement claims prior to submitting. The School Corporation Treasurer was the sole person who prepared and submitted the reimbursement claims to the Indiana Department of Education.

FRANKTON-LAPEL COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Allowable Costs/Cost Principles*

Three of the twenty claims tested were not approved by the Title I Director. Approval by the Title I Director was the control established by the School Corporation. Not following the controls established could have allowed unallowable costs to be paid.

*Period of Availability*

Prior to March 2013, the School Corporation Treasurer was the sole person who prepared and submitted the reimbursement claims to the Indiana Department of Education. The School Corporation Treasurer prepared the reimbursement from the budget history report, but did not review the individual claims. This could have allowed expenses that were incurred outside of the period of availability to be paid in error.

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 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 2014-003 - CASH MANAGEMENT AND REPORTING***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-5245, 13-5245, 14-5245

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 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 program.



FRANKTON-LAPEL COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The Reimbursement Forms were prepared by the School Corporation Treasurer. Prior to March 2013, there were no controls over the Reimbursement Form prior to submission to the pass-through entity for reimbursement to ensure the accuracy of the requests.

Some Reimbursement Forms were not based on actual amounts paid. Two of the eight Reimbursement Forms reviewed included anticipated expenditures.

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."

34 CFR 80.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205 . . .

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met."

31 CFR Section 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes.

34 CFR 80.20(b)(1) states:

"*Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

The Title I Fiscal Handbook, Obligation of Funds section on page 31 states in part:

"An obligation is an actual cost owed due to purchase orders issued, contracts signed, or services rendered for which a district is required to make payment. Obligations are not anticipated or estimated costs."

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the Cash Management and Reporting compliance requirements could result in the loss of federal funds to the School Corporation.

FRANKTON-LAPEL COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure that all required reimbursement reports are based on actual amounts paid, not estimates of amounts paid.

***FINDING 2014-004 - REPORTING AND SPECIAL TESTS AND PROVISIONS***

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553 and 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-5245, 14-5245

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: 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 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.

*Reporting*

The Reporting compliance requirement for the monthly Reimbursement Claims and the Annual Report had no controls in place. The Food Service Director is the sole person who prepares and submits the reports to the Indiana Department of Education.

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

The Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirement over verification of applications had no controls in place. The Food Service Director is the sole person who prepares and submits the verification reports to the Indiana Department of Education.

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."

FRANKTON-LAPEL COMMUNITY SCHOOLS  
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 agreement and compliance requirements listed above.

***FINDING 2014-005 - CASH MANAGEMENT***

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-5245, 14-5245

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 requirement: Cash Management. 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 the compliance requirement 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 balances were reviewed monthly; however, there were no procedures established to ensure that the School Lunch fund cash balances were maintained in compliance with the Cash Management requirements. The failure to establish an effective internal control system allowed noncompliance with the compliance requirement.

The School Corporation's food service department maintained a cash balance in excess of federal regulations. The average expenditures for three months for the School Lunch Program for fiscal year 2013 and fiscal year 2014 were \$374,195 and \$315,265, respectively. The month-end cash balances from the two year audit period ranged from \$620,869 to \$951,126. This compliance requirement was not monitored by the School Lunch Director or by any other employee of the School Corporation.

7 CFR 210.14(b) states:

*"Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e)(1)(iv) states:

"Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; and . . . "

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."

FRANKTON-LAPEL COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The cash balance maintained by the School Corporation resulted in noncompliance with the program requirements that they must limit net cash resource. Failure to comply with this compliance requirement could have caused the School Corporation to be ineligible to receive future federal reimbursements.

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

We recommended that School Corporation officials implement procedures that would limit net cash resources to average expenditures for three months.

***FINDING 2014-006 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-5245, 14-5245

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 requirement: Equipment and Real Property Management. 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 also allow noncompliance with the compliance requirement 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.

There were no procedures established to ensure that equipment or property records for equipment purchased from the School Lunch fund were maintained in compliance with the Equipment and Real Property Management requirements. The failure to establish an effective internal control system allowed material non-compliance with the compliance requirement.

The School Corporation did not maintain a listing of equipment purchased from the School Lunch fund. Equipment totaling \$148,295 purchased from the School Lunch fund was not recorded in the equipment and property records of the School Corporation. A physical inventory of the equipment was not taken. This compliance requirement was not monitored by the School Lunch Director or by any other employee of the School Corporation.

7 CFR 3016.32(d) states:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

FRANKTON-LAPEL COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

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

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides 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."

Failure to maintain detailed and accurate property records and to reconcile physical inventory could have resulted in equipment being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above. In addition, we recommended that the School Corporation prepare and maintain accurate detailed property records and that inventories of equipment be conducted at least once every two years and reconciled to the detailed property records. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any equipment acquired with federal funds must be designated as such so that they are not disposed of improperly.

***FINDING 2014-007 - CASH MANAGEMENT***

Federal Agency: U.S. 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): 14213-025-PN01, 45713-025-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 requirement: Cash Management. 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 also allow noncompliance with the compliance requirement 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 was a member of the Hamilton-Boone-Madison Special Education Cooperative (Co-Op), and they provided oversight of the Co-Op through the School Corporation Superintendent who served as the School Corporation's representative. However, the Co-Op had not established an effective internal control system in relation to the Cash Management compliance requirement.

An effective internal control system, which would include segregation of duties, was not in place at the Co-Op in order to ensure compliance with requirements related to the grant agreement and the following compliance requirement: Cash Management.

FRANKTON-LAPEL COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

For the 2012-2013 audit, reimbursement requests submitted to the Indiana Department of Education were prepared and submitted by the same person.

There were no controls over the preparation of the reimbursement requests during the 2012-2013 school year. Supervisory review of submission was implemented for the subsequent year.

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 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 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.

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

# Frankton-Lapel Community Schools

"A Place For All Learners"

Robert A. Fields  
Superintendent

Sterling Boles  
Assistant Superintendent

## CORRECTIVE ACTION PLAN

### FINDING 2014-001 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer  
Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

#### Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Beginning September, 2015 a procedure was put into place where the Corporation Treasurer will work with the Superintendent to prevent, or detect and correct, errors on the SEFA in the Gateway System.

### FINDING 2014-002 – ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE CONSTS/COST PRINCIPLES, PERIOD OF AVAILABILITY

Federal Program: Title I, Part A Cluster  
Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer  
Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

#### Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for cash management and reporting for the Title I and Special Education grants.

Beginning March, 2013 a procedure was put into place where the Superintendent and Corporation Reading Director will sign off on the reimbursement forms for the Title I and Special Education grants. The Corporation Treasurer will submit requests for reimbursement based on actual disbursements already made. Attached with the reimbursement request will be reports from the accounting program that show the exact amount of disbursements made during the reimbursement request period. The Treasurer will make sure that no excess cash balances exist in the federal grant fund accounts.

#### FINDING 2014-003 – CASH MANAGEMENT AND REPORTING

Federal Program: Title I, Part A Cluster

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

##### Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for cash management and reporting for the Title I and Special Education grants.

Beginning March, 2013 a procedure was put into place where the Superintendent and Corporation Reading Director will sign off on the reimbursement forms for the Title I and Special Education grants. The Corporation Treasurer will submit requests for reimbursement based on actual disbursements already made. Attached with the reimbursement request will be reports from the accounting program that show the exact amount of disbursements made during the reimbursement request period. The Treasurer will make sure that no excess cash balances exist in the federal grant fund accounts.

#### FINDING 2014-004 – REPORTING AND SPECIAL TESTS AND PROVISIONS

Federal Program: School Nutrition Cluster

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

##### Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for reporting and special tests and provisions.

Beginning September, 2015 a procedure was put into place where the Superintendent and/or Corporation Treasurer will review and sign off on reimbursement claims, verification of applications, and the annual report for the Food Service Department.

#### FINDING 2014-005 – CASH MANAGEMENT

Federal Program: School Nutrition Cluster

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

##### Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for cash management and reporting for the Food Service Department.

Beginning September, 2015 a procedure was put into place where the Superintendent and/or Corporation Treasurer will review and sign off on School Lunch fund cash balances.



## FINDING 2014-006 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Program: School Nutrition Cluster

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director

Contact Phone Number: 765-734-1261

View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

### Description of Corrective Action Plan:

Frankton-Lapel Community Schools has implemented procedures to properly establish an internal control system, including segregation of duties, for equipment and real property management for the Food Service Department

Beginning September, 2015 a procedure was put into place where the Food Service Director will work with the Accounts Payable Clerk to ensure that equipment and/or real property purchased by the Food Service Department will be recorded in the inventory of the School Corporation.

## FINDING 2014-007 – INTERNAL CONTROL OVER CASH MANAGEMENT

Federal Agency: Department of Education

Federal Program: Special Education grants to States: Special Education Pre-school Grants

CFDA Number: 84.027; 84.173

Federal Award Number and Year) or Other Identifying Number); 14213-025-PN01; 45713-025-PN01

Pass-Through Entity: Indiana Department of Education


View of the Finding: Frankton-Lapel Community Schools agrees with the finding.

### Description of Corrective Action Plan:

The Hamilton-Boone-Madison Special Services Cooperative has implemented procedures to properly establish an internal control system, including segregation of duties, for internal control over cash management.

### Anticipated Completion Date:

Corrections are ongoing as long as the aforementioned programs are in place.

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Superintendent  
Title

\_\_\_\_\_  
May 12, 2016  
Date

FRANKTON-LAPEL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

The Annual Financial Report for fiscal year ending June 30, 2014, was not filed electronically until October 9, 2014, which was 41 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."

**PUBLIC RECORDS RETENTION**

The November and December 2012 bank statements were not presented for audit.

Indiana Code 5-15-6-3(f), concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

**OVERDRAWN CASH BALANCES**

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

	June 30, 2013	June 30, 2014
	Amount	Amount
Fund	Overdrawn	Overdrawn
General	\$ 64,300	\$ 27,585
School Transportation	368,320	93,940
FES PTG Technology	192	192
Alex's Project	2,520	2,520
Building Corporation	208,605	65,882
Reimbursement	150	150
Private School Account	1,128	-
Technology E-Rates	-	2,825

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)

FRANKTON-LAPEL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Rainy Day	2013	\$ 2,813,513

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."

Indiana Code 36-1-8-5.1(c) states: "The rainy day fund is subject to the same appropriation process as other funds that receive tax money."

**ACCOUNTING FOR PREPAID FOOD RECEIPTS**

Prepaid food receipts were not placed in Fund 8400 Prepaid Food, but were instead accounted for in a separate line item in the School Lunch fund, fund 800. When a student with prepaid money purchased a meal, a negative entry was made to the line item and a corresponding entry was made to the line item representing cash sales. A balance of prepaid food was not maintained on the general ledger.

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 Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Bulletin and Uniform Compliance Guidelines, September 2008)

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

In September 2012, for Frankton Elementary, Lapel Elementary, and Lapel Middle School, the designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed were accurate.

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

FRANKTON-LAPEL COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

***ERRORS ON CREDIT CARD CLAIMS***

A test of credit card claims identified the following deficiencies with an error rate greater than 10 percent:

Of the claims tested forty-three percent did not have adequate supporting documentation. This error resulted in \$7,698 of expenditures which did not have adequate supporting documentation.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

FRANKTON-LAPEL COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on May 12, 2016, with Bobby Fields, Superintendent of Schools; Lynn Hall, Treasurer; and Tami Davis, President of the School Board.