

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BEECH GROVE CITY SCHOOLS

MARION COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**

08/04/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brian Tomamichel Cathy Statzer	07-01-12 to 06-30-14 07-01-14 to 06-30-16
Superintendent of Schools	Dr. Paul Kaiser	07-01-12 to 06-30-16
President of School Board	Jannis King Beth Prindle	07-01-12 to 12-31-14 01-01-15 to 12-31-16



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE BEECH GROVE CITY SCHOOLS, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Beech Grove City 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 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

June 20, 2016

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. The School Corporation did not have procedures in place to ensure the compiled information was complete and accurate prior to presenting to the auditors. The School Corporation should have proper controls in place over the preparation of the financial statement to ensure accurate reporting of fund activity. Without a proper system of internal control in place that operates effectively, material misstatements of the financial statement 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.

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 2014-002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have procedures in place to ensure the compiled information was complete and accurately reported. 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:

- The National School Lunch Program (CFDA #10.555) expenditures were understated by \$10,571 in FY12/13 and \$8,139 in FY13/14 due to the omission of Federal Administrative Reimbursements.
- The School Breakfast Program (CFDA #10.553) expenditures were overstated by \$316 in FY13/14, National School Lunch Program (CFDA #10.555) expenditures were overstated by \$5,877 in FY12/13 and \$16,644 in FY13/14, and the Summer Food Service Program for Children (CFDA #10.559) expenditures were overstated by \$14,666 in FY12/13 and \$21,765 in FY13/14 due to the inclusion of Child and Adult Care Food Program (CFDA #10.558) reimbursements.
- The Child and Adult Care Food Program (CFDA #10.558) expenditures of \$20,543 in FY12/13 and \$38,725 in FY13/14 were omitted from the presented SEFA.
- The Title I Grants to Local Educational Agencies (CFDA #84.010) expenditures were overstated by \$3,032 in FY12/13 and \$20,174 in FY13/14 due to the inclusion of non-federal reimbursements.

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- The Educational Technology State Grants (CFDA #84.318) expenditures of \$46,481 in FY12/13 were omitted from the presented SEFA.
- The Improving Teacher Quality State Grants (CFDA #84.367) expenditures were overstated by \$9,594 due to inclusion of expenditures reimbursed in the subsequent fiscal year.
- The Education Jobs Fund (CFDA #84.410) expenditures were understated by \$5,516 due to omission of reimbursed expenditures.
- The Twenty-First Century Community Learning Centers (CFDA #84.287) program was incorrectly named as 21st Century Learning.
- The Special Education Cluster (CFDA #84.027 and #84.173) expenditures of \$592,691 in FY 12/13 and \$600,471 in FY 13/14 were omitted from the presented SEFA.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

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:

- (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.

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (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 2014-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-5380, 13-5380, 14-5380

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, Level of Effort, Earmarking, Reporting, and Special Tests and Provisions Related to Participation of Private School Children, Schoolwide Programs, Highly Qualified Teachers and Paraprofessionals, and Annual Report, High School Graduation Rate.

One individual prepared and monitored the School Corporation's compliance with these requirements. There was no documentation presented for audit indicating proper controls were in place over these areas.

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.

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.



BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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 would have enabled material noncompliance to go undetected. Noncompliance of 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 2014-004 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE TEACHER INCENTIVE FUND***

Federal Agency: Department of Education

Federal Program: Teacher Incentive Fund

CFDA Number: 84.374

Federal Award Number and Year (or Other Identifying Number): S374A100020

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.

One individual prepared and monitored the School Corporation's compliance with these requirements. There was no documentation presented for audit indicating proper controls were in place over these areas.

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.

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. . . ."

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The failure to establish internal controls would have enabled material noncompliance to go undetected. Noncompliance of 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 - TEACHER INCENTIVE FUND**

Federal Agency: Department of Education

Federal Program: Teacher Incentive Fund

CFDA Number: 84.374

Federal Award Number and Year (or Other Identifying Number): S374A100020

Pass-Through Entity: Indiana Department of Education

The School Corporation's grant is funded on a reimbursement basis which means program costs must be paid for by entity funds before reimbursement is requested. The School Corporation requested stipends in the amount of \$263,210 on the reimbursement claim dated December 6, 2012, and stipends in the amount of \$80,561 on the reimbursement claim dated December 11, 2012, but actually paid these stipends on December 21, 2012. The School Corporation requested stipends in the amount of \$75,564 on the reimbursement claim dated January 29, 2013, but actually paid these stipends on February 15, 2013. This resulted in a total prepayment of \$419,335.

The prepayment of expenses indicates noncompliance with the Cash Management requirement as set forth by the grant agreement. Additionally, failure to comply with the grant agreement may cause future funding to be reduced by the pass-through agency.

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 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."

We recommended that the School Corporation officials ensure that only actual disbursements are included on future reimbursement requests.

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

**FINDING 2014-006 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS**

Federal Agency: Department of Education  
Federal Program: Twenty-First Century Community Learning Centers  
CFDA Number: 84.287  
Federal Award Number and Year (or Other Identifying Number): S287C100014  
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, Level of Effort, Reporting, and Special Tests and Provisions Related to Participation of Private School Children and Schoolwide Programs.

One individual prepared and monitored the School Corporation's compliance with these requirements. There was no documentation presented for audit indicating proper controls were in place over these areas.

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.

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 would have enabled material noncompliance to go undetected. Noncompliance of 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.

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

**FINDING 2014-007 - CASH MANAGEMENT AND REPORTING**

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-053-PN01, 14213-053-PN01,

14214-053-PN01, 99914-053-PN01,  
45712-053-PN01, 45713-053-PN01,  
45714-053-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation is a member of Southside Special Services of Marion County (Cooperative). The Cooperative operates the Special Education program and manages the Special Education grant funds for all member schools.

An effective internal control system, which includes segregation of duties, had not been established to ensure compliance with the grant agreement and Cash Management and Reporting compliance requirements.

Requests for Reimbursement were prepared and filed by the Cooperative's Treasurer and the School Corporation's Treasurer. Adequate policies and procedures had not been designed or implemented to ensure that required reports were accurately prepared and that the expenditures submitted for reimbursement were paid prior to the request.

Requests for Reimbursement prepared by the Cooperative's Treasurer were not based on the actual amounts paid. The requests included the year to date expenses paid per the appropriation report less reimbursements already received.

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. . . ."

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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

31 CFR 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) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *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.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of 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 and that reimbursement requests be based on actual expenditures.

***FINDING 2014-008 - ALLOWABLE COSTS/COST PRINCIPLES***

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): 14212-053-PN01, 14213-053-PN01,  
14214-053-PN01, 99914-053-PN01,  
45712-053-PN01, 45713-053-PN01,  
45714-053-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation is a member of Southside Special Services of Marion County (Cooperative). The Cooperative operates the Special Education program and manages the Special Education grant funds for all member schools.

An effective internal control system, which includes segregation of duties, had not been established to ensure compliance with the grant agreement and Allowable Costs/Cost Principles compliance requirement.

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that certifications were prepared in accordance with program requirements. The Cooperative failed to maintain required certifications on some of their full and part-time employees who worked solely on and were paid from the Special Education grants during the audit period.

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. . . ."

OMB Circular A-87, Attachment B, item 8(h)(3), states:

"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."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement 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 requirement listed above and that required certifications be completed for applicable employees.

***FINDING 2014-009 - LEVEL OF EFFORT AND PERIOD OF AVAILABILITY***

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): 14212-053-PN01, 14213-053-PN01,  
14214-053-PN01, 99914-053-PN01,  
45712-053-PN01, 45713-053-PN01,  
45714-053-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: Level of Effort and Period of Availability.

*Level of Effort*

The Treasurer and Assistant Superintendents worked together to perform the Maintenance of Effort calculation. There was no control in place to ensure the accuracy of this calculation.

*Period of Availability*

The School Corporation Treasurer reviewed the ledger and expenditures for the grant in regard to the Period of Availability monthly; however, there was no evidence of this review.

BEECH GROVE CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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 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.

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. . . ."

The failure to establish internal controls would have enabled material noncompliance to go undetected. Noncompliance of 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.

# ***Beech Grove City Schools***

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June 20, 2016

**Finding 2014-001**

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS  
AND REPORTING**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

All vouchers are processed by the Treasurer, reviewed and approved by the Assistant Superintendent of Business, reviewed by the Superintendent and presented to the School Board on a monthly basis.

**Finding 2014-002**

**INTERNAL CONTROLS OVER THE PREPARATION OF THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

We believe these errors were due to learning the new financial program. Going forward I will compile the SEFA information and have Dr. Keeley's approval before submission. Also, we have more information on the account numbers and the specifics to show expenditures more easily.



**Finding 2014-003**

**INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

Since the retirement of the last Grant Coordinator, Dr. Hammack and I have discussed several things we are changing to improve the accuracy of the information for the Title I Grant. Changing the Fund Number to correlate with the year of the grant, having Dr. Hammack approve all requests for reimbursements and review expenditures before submission, and setting up a spreadsheet to help with end of year reporting are just of the few changes we have implemented.

**Finding 2014-004**

**INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE TEACHER INCENTIVE FUND**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

Dr. Keeley and I have discussed several things we are changing to improve the accuracy of the information for the Teacher Incentive Fund. Changing the Fund Number to correlate with the year of the grant, and having Dr. Keeley approve all requests for reimbursements and review expenditures before submission will establish desired controls.

**Finding 2014-005**

**CASH MANAGEMENT – TEACHERS INCENTIVE FUND CLUSTER**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

The School Corporation no longer request disbursements of fund prior to the funds being spent. Expenditure lines have also been moved solely into the Teachers Incentive Fund for better expense tracking and grant management to ensure that funds are requested only once spent.

**Finding 2014-006**

**INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

Dr. Keeley and I have discussed several things we are changing to improve the accuracy of the information for the Twenty-First Century Community Learning Centers. Changing the Fund Number to correlate with the year of the grant, having Jescee Sellas, Grant Coordinator, and Dr. Keeley approve all requests for reimbursements and review expenditures before submission. All Reports, Level of Effort, and Special Tests and Provisions related to Private School Children and Schoolwide Programs will be complied and submitted by the Grant Coordinator with a copy being submitted to the Treasurer for review by Dr. Hammack.

**Finding 2014-007**

**CASH MANAGEMENT AND REPORTING**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

A separate fund will be added for more accuracy on reporting those individuals or purchases that apply to the Part B IDEA Grant. The Treasurer, Grant Administrator and Assistant Superintendent of Business will review all expenditures and approve all requests before submission.

**Finding 2014-008**

**ALLOWABLE COSTS/COST PRINCIPLES**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**Corrective Action Plan**

Certifications and reports will be compiled and maintained by the Grant Administrator with a copy maintained by the Treasurer with Grant information to determine Allowable Cost/Cost Principles (Time & Effort). For employees funded by RISE, a copy of the Time & Effort Report will be submitted to us for compliance with the Time & Effort reports.

**Finding 2014-009**

Contact Person: Cathy Statzer  
Title of Contact Person: Corporation Treasurer  
Contact Number: (317) 788-4481  
Anticipated Completion Date: Immediately

**LEVEL OF EFFORT AND PERIOD OF AVAILABILITY**

**Corrective Action Plan**

Level of Effort – The Treasurer, Grant Administrator and Assistant Superintendent of Business work together to perform the Maintenance of Effort calculation and will have the Superintendent sign off on the final calculation to ensure accuracy.

Period of Availability – Period of availability is noted at start of the grant with reminders set up on the calendar. On a monthly basis, expenses are reviewed with the Assistant Superintendent of Business with him approving each voucher. Before the claim is submitted the Grant Administrator reviews the claim and approves. A month before the grant expires and reminder comes up and an email is sent to the Grant Administrator reminding them of the ending of the specific grant. The Grant Administrator approves the Year End Report. Each Grant has a specific fund for each grant each year. At the end of the availability of the Grant and new fund number is issued and the old one is made inactive.

  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Corporation Treasurer  
(Title)

\_\_\_\_\_  
June 20, 2016  
(Date)

BEECH GROVE CITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**EDUCATIONAL CONSUMABLE FEES**

The School Corporation charged and collected the following educational consumable fees: technology resources fees, electives fees for 6th - 8th grades, and various course fees for 9 - 12 grades. The School Corporation officials could not provide documentation to verify students received consumable goods or services equal to the fee charged.

A similar comment appeared in the prior two reports, most recently B41761.

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

**CONDITION OF RECORDS - NEGATIVE DISBURSEMENTS**

Financial records presented for audit included transactions recorded as "negative" disbursements. This is a result of the unit correcting errors made in the prior period by reversing the original entry. Since the original entry and the correction were made in separate periods, a negative disbursement was shown in the current period.

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)

**PREPAID MEAL ACCOUNTS**

The School Corporation did not maintain a control account for the Prepaid Meal Accounts. Currently, collections are posted to the School Lunch fund and periodically negative receipt adjustments are used to move funds from the prepaid collection classifications to the local sources classification. As a result, no reconciliation is performed to ensure the Prepaid Meal Account is being properly maintained.

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 Bulletin and Uniform Compliance Guidelines, September 2008)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BEECH GROVE CITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on April 13, 2015, with Brian Tomamichel, former Treasurer; Cathy Statzer, Treasurer; Dr. Paul Kaiser, Superintendent of Schools; Beth Prindle, President of School Board; Dr. Thomas Keeley, Assistant Superintendent of Business and Personnel; and Dr. Laura Hammack, Assistant Superintendent of Curriculum and Instruction.

The contents of this report were also discussed on June 20, 2016, with Dr. Paul Kaiser, Superintendent of Schools; Cathy Statzer, Treasurer; and Steve Bair, Assistant Superintendent of Curriculum.