

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WESTFIELD WASHINGTON SCHOOLS

HAMILTON COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
08/12/2016

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
Finding 2014-002 - Allowable Costs/Cost Principles.....	4-5
Finding 2014-003 - Cash Management, Reporting, and Special Tests and Provisions.....	5-6
Corrective Action Plan.....	7-8
Audit Result and Comment:	
Overdrawn Cash Balances.....	9
Exit Conference	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marsha L. Bohannon	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Mark Keen (Vacant)	07-01-12 to 03-31-16 04-01-16 to 06-30-16
President of the School Board	Dennis Ells Timothy Siefker Tim A. Gardner Duane E. Lutz	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WESTFIELD WASHINGTON SCHOOLS, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Westfield Washington 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/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

May 25, 2016

WESTFIELD WASHINGTON SCHOOLS
FEDERAL FINDINGS

FINDING 2014-001 - 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 should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards.

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)

Management had not established a system of internal control that would ensure proper reporting of the SEFA. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES

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): 13-3030, 14-3030

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement that has a direct and material effect to the program. 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 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 program.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that time and effort records are in compliance with the program requirement. The School Corporation had two employees whose time was split between Title I and other educational activities. Personal Activity Reports for the 2012-2013 and 2013-2014 school years for these employees were provided for audit inspection; however, the reports were not signed.

OMB circular A-87, Attachment B, item 8(h), states in part:

". . . (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency . . .

WESTFIELD WASHINGTON SCHOOLS
FEDERAL FINDINGS
(Continued)

(5) Personnel activity reports or equivalent documentation must meet the following standards:

...

(d) They must be signed by the employee. . . ."

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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement that have a direct and material effect to the program could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation establish effective internal controls including communication and monitoring over the Allowable Costs/Cost Principles compliance requirement.

FINDING 2014-003 - CASH MANAGEMENT, REPORTING, AND SPECIAL TESTS AND PROVISIONS

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): 13-3030, 14-3030

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 that have a direct and material effect to the program: Cash Management, Reporting, Special Tests and Provisions - Annual Report Card High School Graduation Rates, and Special Tests and Provisions-Comparability.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Comparability Reports, Monthly Reimbursement Forms, Annual Financial Reports, and Graduation Rate Reports for Title I Grants to Local Educational Agencies were subject to proper reviews or other internal controls prior to submission to the Indiana Department of Education.

WESTFIELD WASHINGTON SCHOOLS
FEDERAL FINDINGS
(Continued)

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program

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.



Westfield Washington Schools

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CORRECTIVE ACTION PLAN

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

Auditee Contact Person: Marsha Bohannon, Treasurer
Phone Number: (317) 867-8014

This was the first audit we were required to complete the SEFA. After the completion of this audit we have a better understanding of what is required. Corrections will be made to the 2014-2015 SEFA. We will have someone in our office review future SEFA reports prior to submission and sign the State Board of Accounts Annual Financial Report Attestation Form.

FINDING 2014-002 ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: U.S. Department of Education
Federal Program (CFDA Title): Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 13-3030, 14-3030
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Marsha Bohannon, Treasurer
Phone Number: (317) 867-8014

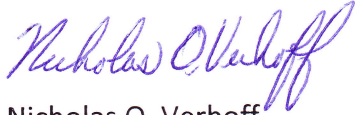
The Westfield Washington Schools' Board of School Trustees Resolution 2016-12 Adoption of Internal Control Standards was adopted on March 8, 2016. The internal control procedures will provide reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provision of contracts of grant agreements.

FINDING 2014-003 CASH MANAGEMENT, REPORTING, AND SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Education
Federal Program (CFDA Title): Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 13-3030, 14-3030
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Marsha Bohannon, Treasurer
Phone Number: (317) 867-8014

The Westfield Washington Schools' Board of School Trustees Resolution 2016-12 Adoption of Internal Control Standards was adopted on March 8, 2016. The internal control procedures will provide reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provision of contracts of grant agreements.

Corrective action will be implemented immediately.



Nicholas O. Verhoff
Director of Business and Operations



Marsha L. Bohannon
Treasurer

WESTFIELD WASHINGTON SCHOOLS
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the Retirement/Severance Bond fund with an overdrawn cash balance as of June 30, 2013, of \$9,850 and the Textbook Rental fund with an overdrawn cash balance of \$228,526 and \$59,605 at June 30, 2013, and June 30, 2014, respectively.

A similar comment appeared in prior Report B41784.

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 Guideline Manual for Indiana Public School Corporations, Chapter 9)

WESTFIELD WASHINGTON SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 25, 2016, with Nicholas O. Verhoff, Director of Business and Operations; Marsha L. Bohannon, Treasurer; and Duane E. Lutz, President of the School Board.