

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ARGOS COMMUNITY SCHOOLS

MARSHALL COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
08/18/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jennifer L. Lee	07-01-13 to 06-30-16
Superintendent of Schools	Julie Lauck Michele A. Riise	07-01-13 to 12-31-15 01-01-16 to 06-30-16
President of the School Board	Kirk Nellans Brett Sanders	07-01-13 to 06-30-15 07-01-15 to 06-30-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ARGOS COMMUNITY SCHOOLS, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Argos Community Schools (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

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

April 25, 2016

ARGOS COMMUNITY SCHOOLS  
FEDERAL FINDINGS

**FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING**

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should have been selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, and the Schedule of Expenditures of Federal Awards (SEFA). The failure to establish these controls would have enabled material misstatements or irregularities to remain undetected. We believe these deficiencies constituted material weaknesses.

Lack of Segregation of Duties:

Receipts: One employee was responsible for issuing, recording, preparing the deposit, and reconciling the bank balances to the record balances.

Disbursements: One person was responsible for reviewing claims, recording disbursements, and issuing and signing the checks.

One person was responsible for entering and processing payroll.

One person was responsible for preparing and submitting the SEFA.

There was no segregation of duties, such as an oversight, review, or approval process.

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

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

**FINDING 2015-002 - CASH MANAGEMENT**

Federal Agency: 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): SY 2013/14, SY 2014/15

Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the compliance requirement for 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 would have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

ARGOS COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for three months in compliance with Cash Management requirements. There was no oversight, review, or monitoring of the cash balances.

An internal control system, including segregation of duties, should have been 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.

*Compliance*

The cash balance in the School Lunch fund exceeded the average expenditures for 3 months for 11 of 12 months in the 2013-2014 school year. The average expenditures for 3 months was \$71,118; the average monthly balance was \$89,551. For the 2014-2015 school year, the average expenditures for 3 months was \$80,132. The School Lunch fund cash balances exceeded that average for 6 of the 12 months.

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

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

7 CFR section 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; . . ."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management requirements. In addition, we recommended that the School Corporation comply with the Cash Management requirements.

ARGOS COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-003 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS***

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): 13-5470, 14-5470, 15-5470  
Pass-Through Entity: Indiana Department of Education

*Internal Control*

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the compliance requirement for Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals. 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 would have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that teachers and paraprofessionals have met the requirements of highly qualified. The School Corporation was unaware of the requirements. There was no segregation of duties, such as an oversight, review, or approval process.

An internal control system, including segregation of duties, should have been 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. . . ."

*Compliance*

All of the paraprofessionals paid with federal funds were tested for the audit period; none of them met the highly qualified requirements.

34 CFR 200.58 Qualifications of paraprofessionals, states in part:

". . . (b) *All paraprofessionals.* A paraprofessional covered under paragraph (a) of this section, regardless of the paraprofessional's hiring date, must have earned a secondary school diploma or its recognized equivalent.

ARGOS COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

(c) *New paraprofessionals.* A paraprofessional covered under paragraph (a) of this section who is hired after January 8, 2002 must have—

- (1) Completed at least two years of study at an institution of higher education;
- (2) Obtained an associate's or higher degree; or
- (3) (i) Met a rigorous standard of quality, and can demonstrate—through a formal State or local academic assessment—knowledge of, and the ability to assist in instructing, as appropriate—
  - (A) Reading/language arts, writing, and mathematics; or
  - (B) Reading readiness, writing readiness, and mathematics readiness.
- (ii) A secondary school diploma or its recognized equivalent is necessary, but not sufficient, to meet the requirement in paragraph (c)(3)(i) of this section.

(d) *Existing paraprofessionals.* Each paraprofessional who was hired on or before January 8, 2002 must meet the requirements in paragraph (c) of this section no later than January 8, 2006.

(e) *Exceptions.* A paraprofessional does not need to meet the requirements in paragraph (c) or (d) of this section if the paraprofessional—

- (1) (i) Is proficient in English and a language other than English; and
  - (ii) Acts as a translator to enhance the participation of limited English proficient children under subpart A of this part; or
- (2) Has instructional-support duties that consist solely of conducting parental involvement activities."

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

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirement for Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals. In addition, we recommended that the School Corporation comply with the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements.

***FINDING 2015-004 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2013/14, SY 2014/15

Pass-Through Entity: Indiana Department of Education

ARGOS COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications, and Special Tests and Provisions - Paid Lunch Equity requirements. 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 would have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Activities Allowed or Unallowed*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Activities Allowed or Unallowed requirements. There were no controls in place to ensure that vendor and payroll expenditures were for activities allowed for the programs. The Treasurer reviewed some vendor claims recorded to the accounting system for reasonableness and fund and account accuracy, but not for compliance with Activities Allowed or Unallowed. In addition, the Treasurer solely prepared some vendor claims without oversight, review, or approval. One person was solely responsible for preparing and recording the payroll expenditures. There was no segregation of duties, such as an oversight, review, or approval process.

*Allowable Costs/Cost Principles*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Allowable Costs/Cost Principles requirements. There were no controls in place to ensure that indirect cost rates were properly calculated and recorded. One employee was solely responsible for preparing the indirect cost calculations and transferring indirect costs from the School Lunch fund to the General fund. There was no segregation of duties, such as an oversight, review, or approval process.

*Eligibility*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Eligibility requirements. There were no controls in place to ensure that determinations of eligibility for free and reduced price meals were accurate. There was no segregation of duties, such as an oversight, review, or approval process.

*Reporting*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Reporting requirements. There were no controls in place to ensure that all Annual Financial Reports and the Verification Summary Reports were accurate. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight, review, or approval process.

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Special Tests and Provisions - Verification of Free and Reduced Price Applications requirements. There were no controls in place to ensure that the verifications of free and reduced price meal applications were performed and were accurate. An oversight, review, or approval process has not been established.

ARGOS COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Special Tests and Provisions - Paid Lunch Equity*

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Special Tests and Provisions - Paid Lunch Equity requirements. There were no controls in place to ensure that paid lunch equity was properly determined and implemented, or that supporting documentation for compliance with paid lunch equity was retained for audit. There was no segregation of duties, such as an oversight, review, or approval process.

An internal control system, including segregation of duties, should have been designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of 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 with the grant agreement or the compliance requirements would have resulted in the loss of federal funds to the School Corporation.

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

***FINDING 2015-005 - ACTIVITES ALLOWED OR UNALLOWED,  
ALLOWABLE COSTS/COST PRINCIPLIES***

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): 13-5470, 14-5470, 15-5470

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements. 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 would have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The School Corporation had not designed adequate policies and procedures to ensure that expenditures paid from program funds were for an allowable activity or were an allowable cost. There were no controls in place to ensure that program funds were expended for only allowable activities or allowable costs.

ARGOS COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

An internal control system, including segregation of duties, should have been designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of 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 with the grant agreement or the compliance requirements would have resulted in the loss of federal funds to the School Corporation.

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

# ARGOS

## COMMUNITY SCHOOLS

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-001 FINANCIAL TRANSACTIONS AND REPORTING**

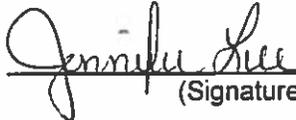
Contact Person Responsible for Corrective Action: Jennifer Lee  
Contact Phone Number: (574) 892-5139

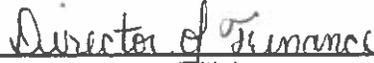
#### Description of Corrective Action Plan:

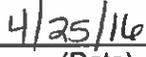
**Receipts:** Segregation of duties for receipt processing was instituted as of March 1, 2016. The Corporation Administrative Assistant will collect all checks and cash collected by mail or in person through the Corporation Office, record each collection on a spreadsheet, prepare the deposit ticket, and turn over to the Corporation Treasurer for deposit into the bank. The Corporation Treasurer will take the deposit to the bank, record the transaction in the financial software, and reconcile the bank statement at month end.

#### Disbursements:

1. Segregation of duties for claims and disbursements was instituted as of March 1, 2016. Claims are entered into the financial software by the Deputy Treasurer. The Accounts Payable Invoice Listing Report is provided to the Corporation Treasurer for review of accounting and corrections. Once all claims are reviewed, the Corporation Treasurer will sign and date the report, issue the checks listed, and return to the Deputy Treasurer for delivery to the vendors.
2. Segregation of duties for payroll was instituted as of February 1, 2016. The Corporation Administrative Assistant will prepare the payroll and run the Payroll Check Verification Register. The Corporation Treasurer will review the Payroll Check Verification Register and note any corrections or additions to the payroll before signing and dating the Register. The Corporation Administrative Assistant will then complete the payroll by processing the direct deposit and paper checks.
3. Oversight for the SEFA will be instituted with the 2016 submission. The Corporation Treasurer will prepare the SEFA and provide the report along with the supporting documentation to the Superintendent for review and sign-off before submission.

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

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

# ARGOS

## COMMUNITY SCHOOLS

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-002 CASH MANAGEMENT**

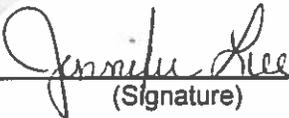
Contact Person Responsible for Corrective Action: Jennifer Lee  
Contact Phone Number: (574) 892-5139

#### Description of Corrective Action Plan:

Internal Controls: The Corporation Treasurer will provide a monthly revenue and expenditure report to the Food Service Clerk/Treasurer which will include the ending cash balance for the month. The Food Service Clerk/Treasurer will compare the monthly ending cash balance to the three-month average from the prior school year each month to ensure that the Fund Balance remains within the three months' average expenditure amount. The Food Service Clerk/Treasurer will track this using a spreadsheet. (Example attached)

Anticipated Completion Date: April 1, 2016

Compliance: As of May 1, 2015, Argos Community Schools has been compliant with keeping the School Lunch Fund balance within the three-month average expenditure amount. Using the internal control method noted above will solve this compliance issue for the future.

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

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

# ARGOS

## COMMUNITY SCHOOLS

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-003 SPECIAL TESTS & PROVISIONS-HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS**

Contact Person Responsible for Corrective Action: Michele Riise  
Contact Phone Number: (574) 892-5139

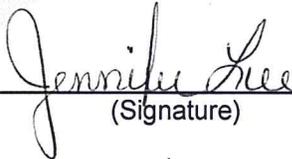
#### Description of Corrective Action Plan:

Internal Controls: All new personnel for paraprofessional roles will be required to provide proof of successful completion of required education or the Praxis exam or the equivalent before official hiring.

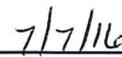
Anticipated Completion Date: March 1, 2016

Compliance: All previously hired paraprofessionals in the corporation that have not met the required qualifications will be required to provide documentation of education or take the Praxis paraprofessional exam or the equivalent before the start of the 2016-2017 school year.

Anticipated Completion Date: August 1, 2016

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

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

# ARGOS

## COMMUNITY SCHOOLS

### CORRECTIVE ACTION PLAN

#### ***FINDING 2015-004 INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER***

Contact Person Responsible for Corrective Action: Jennifer Lee  
Contact Phone Number: (574) 892-5139

#### Description of Corrective Action Plan:

**Activities Allowed/Allowable Costs:** A Food Service Manager will sign off on all invoices once the products have been received and will forward the invoices to the Deputy Treasurer for payment. The Deputy Treasurer or Corporation Treasurer will complete State Form No. 523 Accounts Payable Voucher for each invoice to be paid.

Anticipated Completion Date: May 1, 2016

**Allowable Costs – Indirect Costs:** The Food Service Clerk/Treasurer will complete a Time and Effort Log each month showing the amount of time spent in each capacity. At the end of each month the Corporation Treasurer will transfer the percentage of salary/benefits from the School Lunch Fund to the General Fund as indicated by the Time and Effort Log.

Anticipated Completion Date: February 1, 2016

**Eligibility:** The Food Service Clerk/Treasurer will calculate and approve each Free and Reduced Application. The Deputy Treasurer will recalculate and verify each application and initial each paper copy.

Anticipated Completion Date: March 1, 2016

**Reporting:** The Food Service Clerk/Treasurer will prepare the Verification Summary Report. The Corporation Treasurer will verify the report and initial before submission to the state. The Annual Financial Report will be prepared by the Corporation Treasurer using data from the Food Service Clerk/Treasurer and will be verified by the Superintendent before submission.

Anticipated Completion Date: July 1, 2016

**Special Tests & Provisions – Verification:** The Food Service Clerk/Treasurer will enter each student's Free/Reduced status into the Food Service software. The Deputy Treasurer will use the Free/Reduced Applications to verify the status within the system for accuracy and will place a comment in the memo box of each student.

Anticipated Completion Date: March 1, 2016

**Special Tests & Provisions – Paid Lunch Equity:** The Food Service Clerk/Treasurer will complete and submit the lunch equity tool with the supporting documentation of meals served to the Corporation Treasurer for verification. This will occur prior to submission to the School Board for approval of meal price change.

**Anticipated Completion Date:** April 18, 2016

Jennifer Lee  
(Signature)

Director of Finance  
(Title)

4/25/16  
(Date)

# ARGOS

## COMMUNITY SCHOOLS

### CORRECTIVE ACTION PLAN

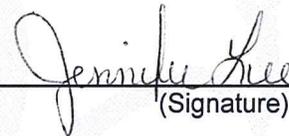
#### **FINDING 2015-005 ACTIVITIES ALLOWED OR UNALLOWED, ALLOWABLE COSTS/COST PRINCIPLES**

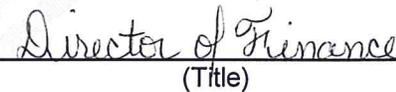
Contact Person Responsible for Corrective Action: Jennifer Lee  
Contact Phone Number: (574) 892-5139

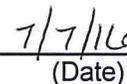
#### Description of Corrective Action Plan:

Segregation of duties and internal controls for claims and disbursements were instituted as of March 1, 2016. Claims are entered into the financial software by the Deputy Treasurer. The Accounts Payable Invoice Listing Report is provided to the Corporation Treasurer for review of allowable costs, accounting, and corrections. Once all claims are reviewed, the Corporation Treasurer will sign and date the report, issue the checks listed, and return to the Deputy Treasurer for delivery to the vendors.

Anticipated Completion Date: March 1, 2016

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

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

ARGOS COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

***ADVANCE PAYMENTS***

The School Corporation paid \$20,629 on February 3, 2015, for fuel that had not yet been received.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 15)

***BANK ACCOUNT RECONCILIATIONS***

Bank reconciliations were not performed monthly during the 2014-2015 school year. Reconciliations were presented for the 2014-2015 school year after the engagement began. Also, June 30, 2015 reconciliation presented included a \$15.99 cash necessary to balance reconciling item.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

***OVERDRAWN CASH BALANCES***

The financial statement presented in the Financial Statement and Federal Single Audit Report for the School Corporation included the General and Textbook Rental funds with overdrawn cash balances of \$179,682 and \$24,312, respectively, at June 30, 2014.

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)

ARGOS COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2016, with Michele A. Riise, Superintendent of Schools; Jennifer L. Lee, Treasurer; and Brett Sanders, President of the School Board.