

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WABASH CITY SCHOOLS

WABASH 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	Michele L. Hough	07-01-13 to 06-30-16
Superintendent of Schools	Jason A. Callahan	07-01-13 to 06-30-16
President of the School Board	William S. Konyha Brandon France Kimberly A. Pinkerton	01-01-13 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WABASH CITY SCHOOLS, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the Wabash City 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

May 23, 2016

WABASH CITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

*Condition*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts. No segregation of duties over receipts existed. The School Corporation Treasurer issued receipts, posted receipts, and deposited monies for School Corporation operating funds.
2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls.

*Criteria*

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)

*Cause*

Management of the School Corporation had not established a proper system of internal control. An evaluation of the School Corporation's system of internal control had not been conducted. Management had not conducted a risk assessment related to the School Corporation's financial reporting and transactions.

*Effect*

The failure to establish controls would have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system would have placed the School Corporation at risk that controls were not either designed properly or operating effectively to provide reasonable assurance that controls would prevent, or detect and correct, material misstatements in a timely manner.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

*Condition*

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 Treasurer compiled the SEFA with no oversight or approval.

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

During the audit of the SEFA, there were the following errors:

- Child Nutrition Cluster programs were not included.
- Title I Grants to Local Educational Agencies was understated by \$86,058 and \$105,097 during FY 2014 and FY 2015, respectively.
- Special Education Cluster (IDEA) programs were not included.
- Rural Education grants were not included.
- Improving Teacher Quality State Grants was overstated by \$3,720 and understated by \$56,554 during FY 2014 and FY 2015, respectively.
- Disaster Grants - Public Assistance (Presidentially Declared Disasters) was not included.
- Two state grants totaling \$32,198 and \$33,935 were included in error.

In total, the SEFA was understated by \$1,158,800 and \$1,219,749 in FY 2014 and FY 2015, respectively. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

*Criteria*

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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:

WABASH CITY 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."

*Cause*

Management had not established a system of internal control that would ensure proper reporting of the SEFA.

*Effect*

The SEFA contained the errors.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-003 - INTERNAL CONTROL OVER 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): 13-8060, 14-8060, 15-8060

Pass-Through Entity: Indiana Department of Education



WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirements that have a direct and material effect on the programs: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, Reporting, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals.

*Context*

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability*

The School Corporation had not established an effective control over the approval of payroll for Title I Grants to Local Educational Agencies employees. The School Board did not approve Title I Grants to Local Educational Agencies payroll disbursements; therefore, the School Board and the fiscal officer's approval of the payroll claims dockets did not ensure that only employees performing Title I Grants to Local Educational Agencies activities were paid from the program.

*Cash Management*

The School Corporation had not established an effective control over the approval of monthly reimbursement requests for Title I expenditures. Eight of the twenty-four monthly reimbursement requests prepared by the Treasurer were not approved by the Chief Financial Officer. There was no documentation of a control in place for all reimbursement requests that ensured expenses were paid prior to requesting reimbursement.

*Reporting*

The School Corporation submitted a Final Expenditure Report at the end of each grant to the Indiana Department of Education in addition to the monthly reimbursement requests noted above. The Indiana Department of Education also issued an annual General Fund Summary of Expenditures by Program and Per Pupil Costs for the Per Pupil Expenditure Report that is required for Title I programs; however, there was no verifiable control in place to ensure that these reports were accurate.

*Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals*

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals. The School Corporation had various employees responsible for ensuring that applicable staff were highly qualified. An oversight, monitoring, or review process had not been established.

*Criteria*

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. . . ."

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-004 - SPECIAL TESTS AND PROVISIONS - ANNUAL REPORT CARD,  
HIGH SCHOOL GRADUATION RATE***

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): 13-8060, 14-8060, 15-8060

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements were followed. There was no segregation of duties, such as an oversight, review, or approval process to ensure that all required documentation was retained and available for audit.

*Context*

Fourteen of the forty requested student withdrawal forms tested were not provided for audit. It could not be determined if the School Corporation complied with the guidelines for Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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 200.19(b) states in part:

"*High schools*—(1) *Graduation rate*. Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.

(2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

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

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-005 - INTERNAL CONTROLS OVER IMPROVING TEACHER QUALITY STATE GRANTS***

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): FY11, FY12, FY13, FY14

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system, which would include segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirements that have a direct and material effect on the programs: Activities Allowed or Unallowed, Cash Management, and Period of Availability.

*Activities Allowed or Unallowed; Period of Availability*

The School Corporation had not established an effective control over the approval of payroll for Improving Teacher Quality State Grants employees. The School Board did not approve Improving Teacher Quality State Grants payroll disbursements; therefore, the School Board and the Fiscal Officer's approval of the payroll claims dockets did not ensure that only employees performing Improving Teacher Quality State Grants activities were paid from the program.

*Cash Management*

The School Corporation had not established an effective control over the approval of monthly reimbursement (requests) for Improving Teacher Quality State Grants expenditures. Eight of the twenty-four monthly reimbursement requests prepared by the Treasurer were not approved by the Chief Financial Officer. There was not documentation of a control in place for all reimbursement reports that ensured expenses were paid prior to requesting reimbursement.

*Criteria*

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. . . ."

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system would have 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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-006 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): FY11, FY12, FY13, FY14

Pass-Through Entity: Indiana Department of Education

*Condition*

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 Allowable Costs/Cost Principles compliance requirement.

*Context*

The School Corporation had not established an effective control over the approval of payroll for Improving Teacher Quality State Grants employees. The School Board did not approve Improving Teacher Quality State Grants payroll disbursements; therefore, the School Board and the fiscal officer's approval of the payroll claims dockets does not ensure that only employees performing Improving Teacher Quality State Grants activities were paid from the program.

The School Corporation failed to maintain the necessary documentation relating to personnel activity reports and semi-annual certifications.

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Criteria*

OMB Circular A-87, Attachment B, Section 8(h) states in part:

". . . (3) 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 semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

(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. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost 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. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system would have 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.

*Questioned Costs*

There were no questioned costs identified.

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

***FINDING 2015-007 - REPORTING***

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): FY11, FY12, FY13, FY14

Pass-Through Entity: Indiana Department of Education

*Condition*

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 Reporting compliance requirement.

*Context*

The School Corporation submitted monthly reimbursement requests to the Indiana Department of Education. These reports were prepared by the Treasurer and reviewed by the Chief Financial Officer. Three of the five monthly reimbursement requests tested were not reviewed by the Chief Financial Officer.

The School Corporation submitted a Final Report of Expenditures at the end of each grant to the Indiana Department of Education. These reports were prepared by the Treasurer and reviewed by the Superintendent of Schools. The Final Report of Expenditures, due on December 31, 2014, was not completed.

*Criteria*

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 80.20(b) states in part:

"The financial management system 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.

WABASH CITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (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, outlay or expenditures, and income. . . .
- (4) *Budget control.* Actual expenditures or capital outlay must be compared with budgeted amounts for each grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system would have 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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.





## CORRECTIVE ACTION PLAN

### **FINDING 2015-001**

**Contact Person Responsible for Corrective Action:** Michele L. Hough

**Contact Phone Number:** (260) 563-2151

**Description of Corrective Action Plan:** Our office is small and sometimes segregation of duties is not possible. However, since this has been brought to our attention, we are now making changes. Receipt transactions, posting and deposits, are now being handled by more than one person.

**Anticipated Completion Date:** Immediate

Michele L. Hough  
(Signature)

Corp. Treas.  
(Title)

5/23/2016  
(Date)



## CORRECTIVE ACTION PLAN

### **FINDING 2015-002**

**Contact Person Responsible for Corrective Action:** Michele L. Hough

**Contact Phone Number:** (260) 563-2151

**Description of Corrective Action Plan:** The SEFA for this time period was completed for the first time with no guidance on how the report was to be completed. Since the audit, Treasurer better understands the report and will work with Food Service Bookkeeper, Grant Director, and Chief Business Official to file the SEFA for each Fiscal Year. Approval for each category will either be approved by Treasurer or Chief Business Official, so that proper controls are in place for accurate reporting of federal awards.

**Anticipated Completion Date:** Immediate

Michele L. Hough  
(Signature)

Corp. Treas.  
(Title)

5/23/2016  
(Date)



## CORRECTIVE ACTION PLAN

### **FINDING 2015-003**

**Contact Person Responsible for Corrective Action:** Michele L. Hough

**Contact Phone Number:** (260) 563-2151

**Description of Corrective Action Plan:** Title 1 Expenditure Reports are reviewed by the Chief Financial Officer or Grant Coordinator. Although, no one was signing off on the reimbursement form that this was occurring. CFO or Grant Coordinator will begin signing Monthly Expenditure Reports and the Final Expenditure Report, after review of such report.

Highly Qualified Teachers and Paraprofessionals procedures are being implemented to ensure that adequate policies, procedures and segregation of duties are in place to ensure compliance with federal reporting. This includes the hiring Administrator verifying Teacher or paraprofessional meets qualifications and then signing off on proper documentation. Documentation will be sent to Administrative office where it will be overviewed and signed off by an Administration Employee assigned to such duty.

**Anticipated Completion Date:** School Year 2016-2017

Michele L. Hough  
(Signature)

Corp. Treas.  
(Title)

5/23/2016  
(Date)



## CORRECTIVE ACTION PLAN

**FINDING 2015-004**

**Contact Person Responsible for Corrective Action:** Matthew Stone

**Contact Phone Number:** (260) 563-2151

**Description of Corrective Action Plan:** The School Corporation will create a system that has the High School Principal and/or Guidance Counselors send all Special Tests and Provisions to Central Office for verification and affirmation. Central Office will then retain those record for future audits.

**Anticipated Completion Date:** School Year 2016-2017

Matthew Stone  
(Signature)

Chief Business Officer  
(Title)

5/23/16  
(Date)





## CORRECTIVE ACTION PLAN

### **FINDING 2015-005**

**Contact Person Responsible for Corrective Action:** Michele L. Hough

**Contact Phone Number:** (260) 563-2151

**Description of Corrective Action Plan:** Title II A, Monthly Expenditures reports are prepared by the Corporation Treasurer and approved by the Chief Financial Officer. However, School Corporation does concur that some reports were missing signature or initials of such procedure. School corporation will be more diligent in signing off on each report.

School Board receives a Gross Breakdown of each payroll period. However, Treasurer concurs that a small percentage of this particular payroll breakdown was missing from Board payroll claim lists. Treasurer will use more diligence in ensuring that this report is included with each payroll claim list.

**Anticipated Completion Date:** Immediate

Michele L. Hough  
(Signature)

Corp. Treas  
(Title)

5/23/2016  
(Date)



## CORRECTIVE ACTION PLAN

**FINDING 2015-006**

**Contact Person Responsible for Corrective Action:** Michele L. Hough

**Contact Phone Number:** (260) 563-2151

**Description of Corrective Action Plan:** School Corporation will begin keeping time and effort logs at the building levels for those who are paid from Federal and Non-Federal Funds.

**Anticipated Completion Date:** 2016-2017 School Year

Michele L. Hough  
(Signature)

Corp. Treas.  
(Title)

5/23/2016  
(Date)



## CORRECTIVE ACTION PLAN

### **FINDING 2015-007**

**Contact Person Responsible for Corrective Action:** Michele L. Hough

**Contact Phone Number:** (260) 563-2151

**Description of Corrective Action Plan:** Title 2 Expenditure Reports are reviewed by the Chief Financial Officer or Grant Coordinator. School Corporation concurs that several reports had no signature to verify such.

School Corporation understands the necessity of completing Final Expenditure Reports and having proper oversight of Final Expenditure reports. However, School Corporation concurs that Final Expenditure Report for Title 2 FY 2012 was not found in file.

**Anticipated Completion Date:** 2016-2017 School Year

Michele L. Hough  
(Signature)

Corp. Treasurer  
(Title)

5/23/2016  
(Date)

WABASH CITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**APPROPRIATIONS**

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2013	\$ 257,403
Debt Service	2013	29,424
Rainy Day	2013	57,194
General	2014	120,973
Debt Service	2014	63,314
Capital Projects	2014	140,358
Rainy Day	2014	17,973

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."

**TEXTBOOK RENTAL FEE CALCULATIONS**

During the audit, we noted that the School Corporation calculated its annual textbook rental fee by multiplying the retail price of the books by 25 percent. However, the School Corporation also included an additional fee of 25 percent of the original textbook rental fee.

We also noted that the School Corporation charged textbook rental fees for student's technology equipment, and insurance on the equipment. These charges were not supported by any calculations or based off of the price of the technology equipment.

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)

During the audit period, Indiana Code 20-26-12-2 stated in part:

"(a) A governing body may purchase from a publisher, any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.



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(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and (2) paid for through rental fees previously collected. . . ."

***WAGE AND TAX STATEMENT FORM W-2 REPORTING***

The School Corporation paid Teacher Performance Grant stipends to 83 teachers totaling \$68,580 on August 3, 2013. The School Corporation paid Teacher Performance Grant stipends to 75 teachers totaling \$25,786 on December 19, 2014. The stipends were not processed through the payroll system. Therefore, amounts were not properly reported on Wage and Tax Statement Form W-2 as required by the Internal Revenue Service. Forms 1099-misc were prepared and reported to the Internal Revenue Service for 2013 because individual teachers received more than \$600.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***ACCOUNTING FOR PREPAID LUNCH RECEIPTS***

Prepaid lunch receipts were placed in Fund 8600 Clearing - Cafeteria Prepaid, a clearing account. The subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis by officials as required.

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 Administrator and Uniform Compliance Guidelines, September 2008)

***PENALTIES, INTEREST, AND OTHER CHARGES***

The School Corporation paid penalties, interest, and other charges to Crossroads Bank in the amount of \$132 due to late remittance of credit card payments.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

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Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***SUPPORTING DOCUMENTATION (Applies to O.J. Neighbours Elementary)***

We noted the following disbursements did not include proper supporting documentation to support the purchase.

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase</u>
09-11-13	\$ 1,276	USI Education Sales	Rolls of Laminating Film
11-07-13	100	Brian Kruschurty	"Yurtfolk" Music at Reenactment
01-30-15	46	Krista Dean	Boxtops, Classroom
04-29-15	<u>95</u>	Rachel Hendrickson	Muffins for Teacher Appreciation
Total	<u>\$ 1,517</u>		

Due to the lack of supporting information, we could not verify the purpose of the ECA disbursements.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

***ACCOUNTABLE ITEMS (Applies to O.J. Neighbours Elementary)***

Goods for sale and other collections are considered accountable items for which a corresponding deposit must be made in the bank account of the Extra-Curricular Account.

We tested the documentation maintained for the money collected from yearbook sales. In 2013-2014, \$182 was receipted into the Picture fund for yearbook sales and in 2014-2015, \$1,944 was receipted for yearbook sales. The PTO Yearbook Advisor in 2013-2014 collected monies for the yearbooks and sent the money directly to the yearbook vendor. Therefore, the money was never accounted for through the extra-curricular records.

We were presented the number of yearbooks sold in 2013-2014 from the School Corporation. However, records containing the sales and number of yearbooks sold for 2014-2015 were destroyed. The vendor receipted all money collected either from individuals or from the schools vendor payments for the actual yearbook

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purchase into one amount. We were unable to verify the number of books sold in 2014-2015, and were thereby, unable to verify if receipts posted to the ledger were fairly presented. Controls over sales of accountable items were not sufficient to allow further analysis or conclusions related to these transactions.

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 Extra-Curricular Accounts, Chapter 7)

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EXIT CONFERENCE

The contents of this report were discussed on May 23, 2016, with Michele L. Hough, Treasurer; Jason A. Callahan, Superintendent of Schools; Kimberly A. Pinkerton, President of the School Board; and Matthew E. Stone, Chief Business Officer.