

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

RICHLAND-BEAN BLOSSOM COMMUNITY
SCHOOL CORPORATION
MONROE COUNTY, INDIANA

July 1, 2013 to June 30, 2014



FILED
08/24/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Emily Richart Rosemarie Merrick (Vacant) Debbie Tate	07-01-13 to 06-02-14 06-03-14 to 03-02-15 03-03-15 to 03-29-15 03-30-15 to 12-31-16
Superintendent of Schools	Dr. Michael Wilcox	07-01-13 to 06-30-19
President of the School Board	Dana Robert Kerr	01-01-13 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE RICHLAND-BEAN BLOSSOM COMMUNITY
SCHOOL CORPORATION, MONROE COUNTY, INDIANA

This report is supplemental to our audit report of the Richland-Bean Blossom Community School Corporation (School Corporation), for the period from July 1, 2013, 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 Results and Comments as described below.

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

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

June 20, 2016

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

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

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts. The Treasurer wrote the receipts, recorded the receipts to the ledger, completed the deposit ticket, and delivered the deposit to the bank. There was no control in place to ensure receipts were recorded to the correct fund or to verify that the correct amount was being deposited in the bank.
2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control had not been conducted. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation had no process to identify or communicate corrective actions to improve controls.

The failure to establish these controls would have enabled misstatements or irregularities to remain undetected.

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

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

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

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA would have remained undetected.

During the audit of the SEFA, there were the following errors: Federal expenditures for the Child Nutrition Cluster were understated by \$61,892, 4 of 8 program titles were incorrectly listed, and an incorrect CFDA number was used for 1 of the 12 programs. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (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."

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2014-003 - INTERNAL CONTROLS OVER THE SPECIAL EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to Schools, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-065-PN01, 14214-065-PN01,
45712-065-PN01, 45713-065-PN01,
45714-065-PN01, 99914-065-TA01

Pass-Through Entity: Indiana Department of Education

The School Corporation was a member of the Forest Hills Special Education Cooperative (Cooperative). The Cooperative operated the Special Education programs and managed the Special Education grant funds.

Management of the Cooperative had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management, Period of Availability, and Reporting compliance requirements.

Cash Management, Reporting

The Cooperative had not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. 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.

Period of Availability

The Cooperative had not designed or implemented adequate policies or procedures to ensure that adjustments made to the ledger for corrections of amounts expended were properly made. One employee was solely responsible for making the adjustments. There was no segregation of duties, such as an oversight, review, or approval process.

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 grant.

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.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative.

FINDING 2014-004 - INTERNAL CONTROLS 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): 13-5705, 14-5705

Pass-Through Entity: Indiana Department of Education

Management of 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 following compliance requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Cash Management, Reporting, and Special Test and Provisions - Comparability.

Activities Allowed and Unallowed, Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that Activities Allowed and Unallowed and Allowable Costs/Cost Principles were in compliance with program requirements. Payroll was the most significant use of the School Corporation's Title I funds. One employee was solely responsible for ensuring that only Title I employees were paid from the grant. There were no controls in place to ensure payroll transactions were for allowable activities.

Cash Management, Reporting

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that costs were paid prior to reimbursement being requested and that requests for reimbursement and other required reports were accurately prepared. One employee was solely responsible for preparing, and submitting all required reports. There was no control in place to ensure that the reports were complete and accurate.

Special Tests and Provisions - Comparability

The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure that Comparability Reports were being filed in compliance with program requirements.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls would have enabled material noncompliance to go undetected. Noncompliance 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 compliance requirements listed above.

FINDING 2014-005 - ACTIVITIES ALLOWED AND UNALLOWED AND 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): 13-5705, 14-5075

Pass-Through Entity: Indiana Department of Education

The School Corporation had designated the primary school and the intermediate school to be eligible to receive Title I services. During the audit period, the School Corporation made payments from the Title I program for the salaries and benefits of a teacher and a teaching aide who were not designated as Title I employees. Salaries and benefits paid to staff for non-Title I services are not allowable activities or allowable costs for the Title I program and are considered questioned costs.

Total questioned costs in relation to the Title I program are \$13,980.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 80.22 states:

"(a) *Limitation on use of funds.* Grant funds may be used only for:

(1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; . . .

(b) For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a State, local, or Indian Tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987."

OMB A-87, Attachment B, Item 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 first hand 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. . . ."

(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. . . ."

Failure to adhere to Activities Allowed and Unallowed and Allowable Cost/Cost Principles compliance requirements would have resulted in the loss of federal funds to the School Corporation.

We recommended that the School Corporation ensure only allowable and properly documented costs are paid from the program.

FINDING 2014-006 - CASH MANAGEMENT AND REPORTING

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): 13-5705, 14-5705

Pass-Through Entity: Indiana Department of Education

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

During the audit period, the School Corporation filed nine Reimbursement Forms with the Indiana Department of Education for Title I funds. Supporting documentation was not retained for one Reimbursement Form and three Reimbursement Forms had attached expenditure reports that did not fully support the amount requested.

34 CFR 80.42 states:

". . . (b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section . . .

(c) *Starting date of retention period*—(1) General. When grant support is continued or renewed at annual or other intervals, the retention period for the records of each funding period starts on the day the grantee or subgrantee submits to the awarding agency its single or last expenditure report for that period. However, if grant support is continued or renewed quarterly, the retention period for each year's records starts on the day the grantee submits its expenditure report for the last quarter of the Federal fiscal year. In all other cases, the retention period starts on the day the grantee submits its final expenditure report. If an expenditure report has been waived, the retention period starts on the day the report would have been due. . . . "

34 CFR 80.21 states in part:

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

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grant. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement. . . . "

31 CFR 205 states in part:

". . . (5) Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes. . . . "

The failure to comply with 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 procedures regarding records retention to ensure compliance with Cash Management and Reporting compliance requirements.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2014-007 - SPECIAL TESTS AND PROVISIONS - COMPARABILITY

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): 13-5705, 14-5705
Pass-Through Entity: Indiana Department of Education

The School Corporation is required by the Indiana Department of Education to complete a Comparability Report annually and submit it to the State every two years. The School Corporation did not complete a Comparability Report during the audit year.

34 CFR 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

Indiana Department of Education issued *Title I Comparability of Services Handbook* states:

"All LEAs must complete comparability yearly and submit information to the SEA every two years for compliance with the comparability requirement. Also, Title I LEAs must develop procedures for compliance with the comparability requirement and implement those procedures annually. . . ."

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 establish procedures related to the grant agreement and Special Tests and Provisions - Comparability compliance requirement.

FINDING 2014-008 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY 13-14
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 Allowable Costs/Cost Principles compliance requirement. 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 non-compliance 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.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that appropriate certifications for time worked on the School Breakfast and National Lunch Programs were in compliance with program requirements. Semi-Annual Certifications were not completed for employees paid solely from the School Breakfast and National School Lunch Programs.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

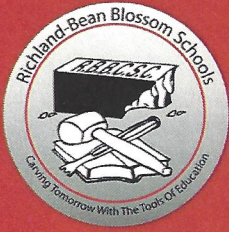
". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. . . ."

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. Non-compliance with grant agreements or 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, and ensure compliance related to the grant agreements and compliance requirements listed above.



Richland-Bean Blossom Community School Corporation

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jbletzinger@rbbschools.net

SCHOOL BOARD
Mr. Jimmie D. Durnil
Mr. Dana Robert Kerr
Mr. Larry Thrasher
Ms. Debra Walcott
Mr. Randall C. Wright

VISION
Living, learning and leading together to achieve 90, 90, 90.

MISSION
Our mission is to work in cooperation with the community and families to provide students with an education that promotes responsible citizenship, develops critical thinking, communication, collaboration and creativity.

6/20/16

AUDIT FINDINGS Section II

FINDING 2014-001

Report Period: July 1, 2013 to June 30, 2014

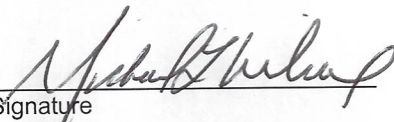
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

Contact Phone Number: (812) 876-7100

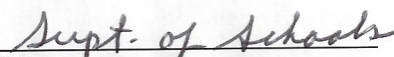
Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

Corrective Action Plan:

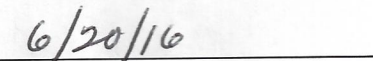
During the 2013-2014 audit period the school corporation had not fully implemented internal controls over financial transactions and reporting compliance requirements such as segregation of duties and monitoring controls, however as of May 2015 during the initial term of the Corporation Treasurer these processes and procedures were set in place and will continue to be reviewed and updated by the Corporation Treasurer and Superintendent.



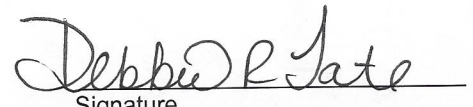
Signature



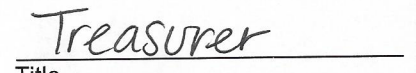
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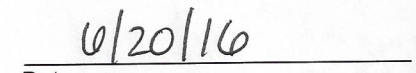
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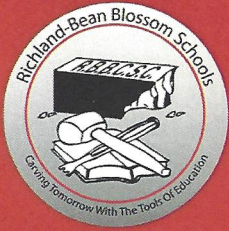
Signature



Title



Date



Richland-Bean Blossom Community School Corporation

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SCHOOL BOARD
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VISION
Living, learning and leading together to achieve 90, 90, 90.

MISSION
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6/20/16

AUDIT FINDINGS Section II

FINDING 2014-002

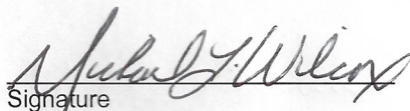
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

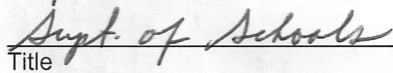
Contact Phone Number: (812) 876-7100

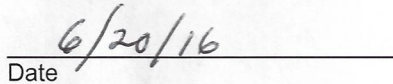
Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

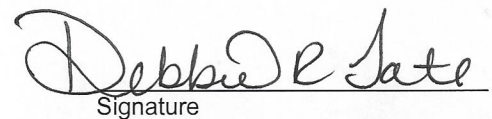
Corrective Action Plan:

During the 2013-2014 Audit Period the School Corporation had not fully implemented the internal control over cash management and reporting compliance requirements for reimbursements of federal grants due to a turnover of key personnel, however this has been corrected during the 2015-2016 school year. The school corporation will continue to implement a system of internal control over cash management and reporting compliance requirements. The Treasurer and Superintendent or any authorized individuals with a knowledgeable understanding of the grants will continue to review all reimbursement requests for federal grants.

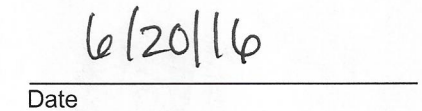

Signature

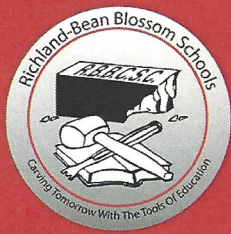

Title


Date


Signature


Title


Date



Richland-Bean Blossom Community School Corporation

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SUPERINTENDENT

Dr. Mike Wilcox
mwilcox@rbbschools.net

6/20/16

ASSISTANT SUPERINTENDENT

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jbletzinger@rbbschools.net

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AUDIT FINDINGS Section III

FINDING 2014-003

Federal Agency: U.S. Department of Education
Federal Program: Special Education-Grants to Schools and Special Education – Preschool Grants
CFDA Number: 84.027 and 84.173
Federal Award Number and Year (or Other Identifying Number):

14213-065-PN01, 14214-065-PN01,
45712-065-PN01, 45713-065-PN01,
45714-065-PN01, 999914-065-TA01

Report Period: July 1, 2013 to June 30, 2014

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

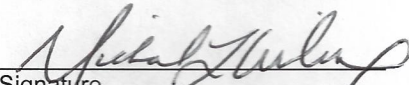
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

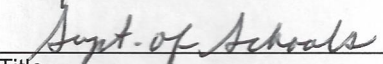
Contact Phone Number: (812) 876-7100

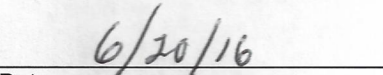
Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

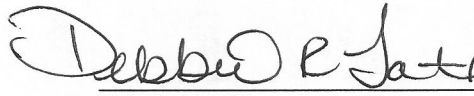
Corrective Action Plan:

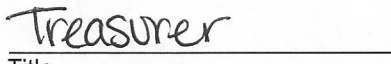
During the 2013-2014 audit period the school corporation had not fully implemented the internal control over the special education cluster cash management and reporting. The School Corporation will implement segregation of duties, related to grant agreement and the Cash Management, Period of Availability and Reporting compliance requirements that have a direct and material effect on the programs. The Director of Special Education or any authorized individual will review and approve any adjustments or reimbursement requests. Monthly reports are currently being sent to the Special Education Director or any authorized individual for a cash flow review.

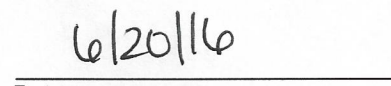

Signature


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AUDIT FINDINGS Section III

FINDING 2014-004

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 13-5705, 14-5705

Report Period: July 1, 2013 to June 30, 2014

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

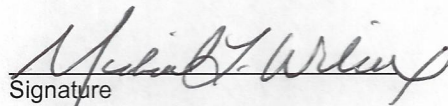
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

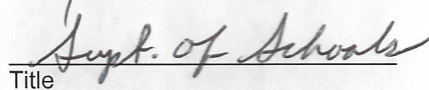
Contact Phone Number: (812) 876-7100

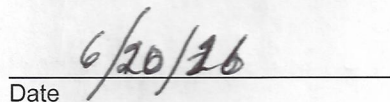
Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

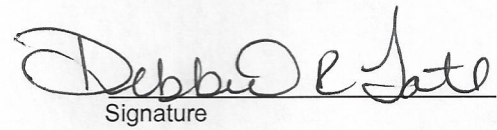
Corrective Action Plan:

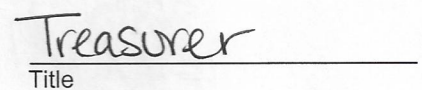
The School Corporation will implement an internal control system over grants to local agencies which will include Activities Allowed and Un-allowed, Allowable Cost/Cost Principles, Cash Management, Reporting, and Special Test and Provisions - Comparability. A position control sheet will be established to monitor all positions and accounts associated with those positions. A review process will be set in place to ensure all data is current and correct. The Treasurer and Superintendent or any authorized individuals with a knowledge and understanding of the grants will continue to review and approve all reimbursement requests for all grants.

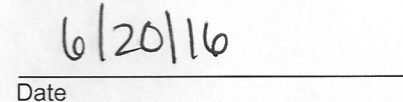

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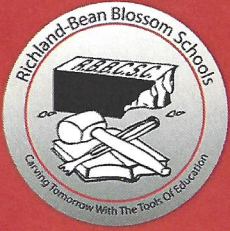

Title


Date


Signature


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jbletzinger@rbbschools.net

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AUDIT FINDINGS Section III

FINDING 2014-005

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 13-5705, FY 12-13

Report Period: July 1, 2013 to June 30, 2014

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education


Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

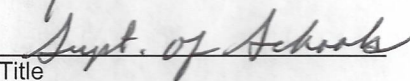
Contact Phone Number: (812) 876-7100

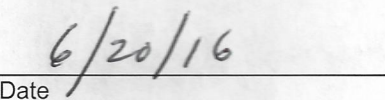
Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

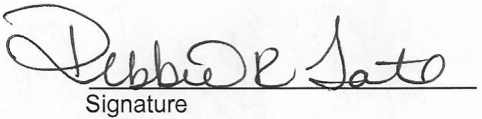
Corrective Action Plan:

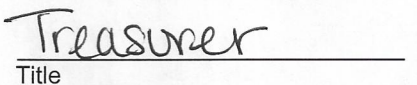
The School Corporation will implement policies and procedures to ensure only allowable and properly documented costs are paid from the program. The Treasurer and Superintendent or any authorized individuals with a knowledge and understanding of the grants will continue to review any costs paid from the Title I program to comply with the grant guidelines. An expenditure report will continue to be sent to the Superintendent and any authorized individual for a monthly review.

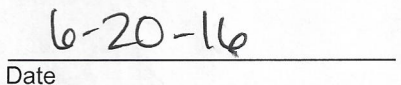

Signature

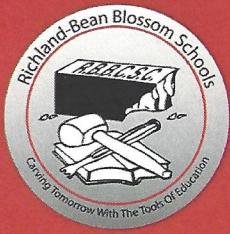

Title


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mwilcox@rbbschools.net

6/20/16

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Jason Bletzinger, Ed.S.
jbletzinger@rbbschools.net

AUDIT FINDINGS Section III

SCHOOL BOARD
Mr. Jimmie D. Durnil
Mr. Dana Robert Kerr
Mr. Larry Thrasher
Ms. Debra Walcott
Mr. Randall C. Wright

FINDING 2014-006

VISION
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Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 13-5705, 14-5705

Report Period: July 1, 2013 to June 30, 2014

MISSION
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Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

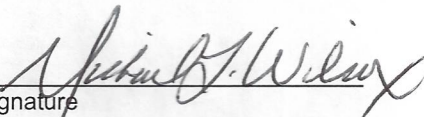
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

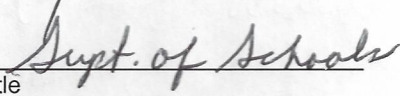
Contact Phone Number: (812) 876-7100

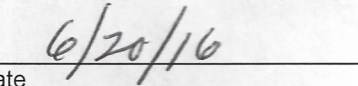
Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

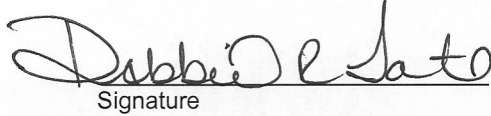
Corrective Action Plan:

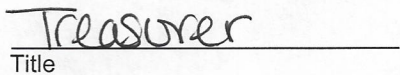
The School Corporation will implement policies and procedures in regards to proper records retention to ensure compliance with Cash Management and Reporting requirements.

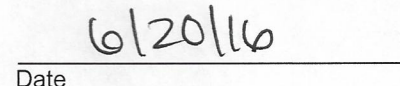

Signature


Title


Date


Signature


Title


Date



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6/20/16

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AUDIT FINDINGS Section III

FINDING 2014-007

Federal Agency: U.S. Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 13-5705, 14-5705

Report Period: July 1, 2013 to June 30, 2014

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

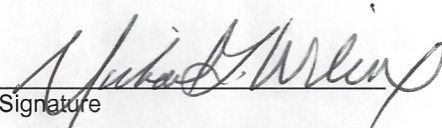
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

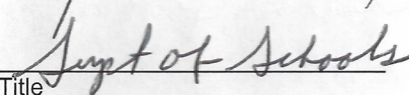
Contact Phone Number: (812) 876-7100

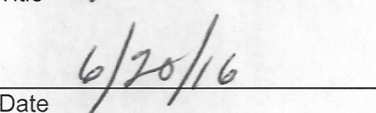
Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

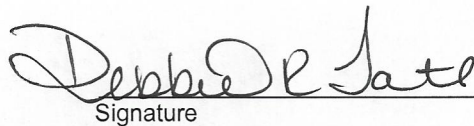
Corrective Action Plan:

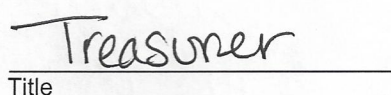
The School Corporation will implement policies and procedures annually in regards to the grant agreement and Special Tests and Provisions compliance requirements for comparability. The school corporation will complete a comparability yearly and submit information to the SEA every two years for compliance with the comparability requirement.

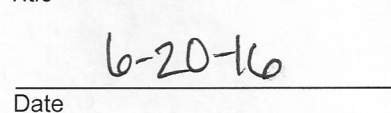

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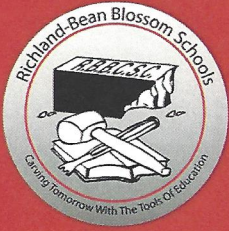

Title


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AUDIT FINDINGS Section III

FINDING 2014-008

Federal Agency: U.S. Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program
CFDA Number: 10.553 and 10.555
Federal Award Number and Year (or Other Identifying Number): FY 12-14

Report Period: July 1, 2013 to June 30, 2014

Pass-Through Entity or Federal Grantor Agency: Indiana Department of Education

Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent

Contact Phone Number: (812) 876-7100

Anticipated Completion Date: Immediately and Throughout the year, as operating procedures are completed.

Corrective Action Plan:

The School Corporation will implement policies and procedures in regards to an internal control systems to ensure that appropriate certifications for time and effort records are in compliance with program requirements. This will also include segregation of duties and Semi-annual time and effort certifications that will be completed for employees paid solely from the School Breakfast and National School Lunch Programs.

Michael B. Linder
Signature
Supt. of Schools
Title
6/20/16
Date

Debbie L. Lutz
Signature
Treasurer
Title
6-20-16
Date

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2013	\$ 577,621
Capital Projects	2013	57,549

A similar comment appeared in prior Report B43439.

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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not properly conducted. It was the Treasurers' practice to reconcile fund receipts to bank receipts, and fund disbursements to bank disbursements monthly; however, they did not verify that the fund balance agreed to the bank account balance. This resulted in the following errors being undetected and uncorrected by the School Corporation:

1. Check number 21895, issued for \$144.48 on May 13, 2014, was not listed on the June 30, 2014 outstanding checklist. The check subsequently cleared on July 9, 2014.
2. An item listed as "Trans Money From CD's To Corp" for \$12,000 had been included on the June 30, 2014 outstanding checklist, which had been initially corrected on June 30, 2012. The erroneous listing on the June 30, 2014 outstanding checklist, resulted in an overstatement of its balance of \$12,000.
3. After consideration of the above items, unidentified cash short in the amount of \$4,351 was present as of June 30, 2014.

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."

ECA EDUCATIONAL FEES

The School Corporation charged various educational fees, but did not obtain a written opinion from the School Corporation's attorney to verify that the fees were appropriate in regards to Constitutional provisions.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ."Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN CASH BALANCES

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

Fund	Amount Overdrawn
Capital Projects	\$ 34,283
Joint Services and Supply - Special Education Cooperative	3,641
Metiri Group Grant	5,320

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)

PREPAID SCHOOL LUNCH ACCOUNTS

Receipts from students who prepaid for food were receipted directly into the School Lunch fund instead of the clearing account established for prepaid food.

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. (School Bulletin and Uniform Compliance Guidelines, September 2008)

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

CURRICULAR MATERIALS RECORDS

Supporting documentation was not presented for audit to support the calculations for 6 out of 10 textbooks and consumables items chosen for testing. For those 6 items, we were unable to determine if the School Corporation's rental rate exceeded 25 percent of the retail price of the curricular materials (or 100 percent in the case of a consumable book).

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 Indiana Public School Corporations, Chapter 9)

Indiana Code 20-26-12-2(a) states in part: ". . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular material. . . ."

June 28, 2016

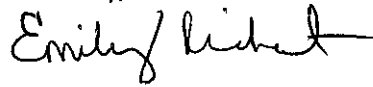
To Whom It May Concern:

This letter is regarding the audit result and comment concerning bank reconciliations. The comment is that the Treasurer did not verify that the fund balance agreed to the bank account balance. This is absolutely untrue during my tenure at Richland-Bean Blossom CSC.

Every single month after clearing the checks and deposits, I added the ONB and Peoples bank statements and compared them to the total balance of the fund report. Every month it was off by the total amount of the CD's. For each month, I had a folder which included the bank statements as well as a fund report. If there was not an adding machine tape attached, the auditors could have easily ran a tape themselves and see that it balanced. I took great pride in balancing to the penny every month.

Of course, I can only speak to what I did and it looks like the three examples the auditors gave were all after my departure. All three examples were June transactions after I left. For this audit time period, I was the Treasurer from 7/1/13 – 5/31/14. Again, based on the evidence they provided, it is clear that the bank statements were balanced to the cash for the months I was in the position, but it appears that the reconciliation to cash did not happen only after my departure.

Sincerely,

A handwritten signature in cursive script that reads "Emily Richart". The signature is written in black ink and is positioned below the word "Sincerely,".

Emily Richart

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2016, with Dr. Michael Wilcox, Superintendent of Schools; Debbie Tate, Treasurer; and Dana Robert Kerr, President of the School Board.

The contents of this report were discussed on June 21, 2016, with Emily Richart, former Treasurer.