

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

FRANKLIN TOWNSHIP COMMUNITY  
SCHOOL CORPORATION  
MARION COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
09/07/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Chad Blacklock	07-01-12 to 12-31-16
Superintendent of Schools	Dr. Walter D. Bourke Dr. Flora Reichanadter	07-01-12 to 07-31-12 08-01-12 to 06-30-16
President of the School Board	C. Scott Veerkamp	07-01-12 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE FRANKLIN TOWNSHIP COMMUNITY  
SCHOOL CORPORATION, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the Franklin Township Community School Corporation (School Corporation), for the period from July 1, 2012, to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

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

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

July 14, 2016

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

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

The School Corporation had not sufficiently documented its review and monitoring processes over financial reporting.

The failure to monitor the internal control system could have placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that misstatements could have been prevented, or detected and corrected, in a timely manner.

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 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2012/2013, FY 2013/2014  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement.

The Child Nutrition Supervisor was aware of the compliance requirement related to Cash Management for the Child Nutrition Cluster; however, no formal internal control system had been established and implemented. There were no controls in place to ensure the School Corporation's cash balance did not exceed the average expenditures for three months.

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

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

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could 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 requirement listed above.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-053-PN01, 14213-053-PN01,  
14214-053-PN01, 99914-053-PN01,  
45712-053-PN01, 45713-053-PN01,  
45714-053-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation was a member of Southside Special Services of Marion County (Cooperative). The Cooperative operated the Special Education program and managed the Special Education grant funds for the School Corporation.

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

Of the 10 pay periods tested, the Cooperative failed to maintain required certifications ranging from 16 percent to 100 percent of the total employees paid during those pay periods.

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

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

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

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

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above and that required certifications be completed for applicable employees.

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2014-004 - CASH MANAGEMENT AND REPORTING**

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education Grants\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-053-PN01, 14213-053-PN01,  
14214-053-PN01, 99914-053-PN01,  
45712-053-PN01, 45713-053-PN01,  
45714-053-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation was a member of Southside Special Services of Marion County (Cooperative). The Cooperative operated the Special Education program and managed the Special Education grant funds for the School Corporation.

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

Requests for reimbursement were prepared and filed by the Cooperative's Treasurer and reviewed by the Chief Financial Officer; however, there was no documentation of the review. Adequate policies and procedures had not been designed or implemented to ensure that required reports were accurately prepared and that the expenditures submitted for reimbursement were paid prior to the request.

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

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

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

34 CFR 80.21 states in part:

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

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

31 CFR 205.12(b)(5) states: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.20(b) states in part:

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



FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (1) *Financial Reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could 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 and that reimbursement requests be based on actual expenditures.

***FINDING 2014-005 - PERIOD OF AVAILABILITY***

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

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

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

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Period of Availability compliance requirement.

The School Corporation's Chief Financial Officer regularly reviewed the expenditure reports for the grant regarding to the Period of Availability requirements; however, there was no documentation of this review.

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

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

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

We recommended that the School Corporation's management document control activities related to the grant agreement and compliance requirement listed above.

# Franklin Township Community School Corporation

Dr. Flora J. Reichanadter, Superintendent  
Chad B. Blacklock, CFO

Board of Education:  
Dawn A. Downer  
Carlos O. Garner  
Scott Sullivan  
C. Scott Veerkamp  
Larry J. Walker



## CORRECTIVE ACTION PLAN

### **FINDING 2014-001**

Contact Person Responsible for Corrective Action: Chad Blacklock  
Contact Phone Number: 317-862-2411

Description of Corrective Action Plan:

A process will be implemented in which the Treasurer reviews and signs off on the Form 9 information before it is submitted to the State by the Deputy Treasurer.

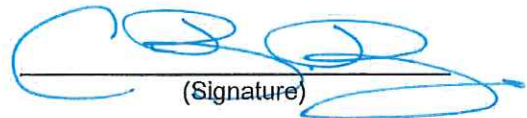
### **FINDING 2014-002**

Contact Person Responsible for Corrective Action: Chad Blacklock  
Contact Phone Number: 317-862-2411

Description of Corrective Action Plan:

Response to Finding 2014-002- Cash Management

The Franklin Township Community School Corporation's Child Nutrition program has historically held over three month's operating expenses in the Child Nutrition account. To ensure that we remain fiscally responsible, we are considering the following items in our long term planning process. Child Nutrition recently has had federal guideline changes that are increasing meal costs, decreasing revenue, and have added the requirement of professional development for all Child Nutrition staff members. Planning for food cost increases, and professional development costs has begun. Franklin Township Community Schools will be opening Acton Elementary School in the 2016-2017 school year, funds will need to be available for equipment restarts, replacements, and repairs. Along with the food, supply and labor startup costs for this kitchen. The possibility of a remodel to Franklin Central High School's serving area has also been discussed. This is the most dated facility in the district. Technology hardware upgrades for each building have been budgeted into the 2014-2015 school year budget. The Child Nutrition department also needs to be prepared for pay raises for staff, due to the changing evaluation system of the school district. The Child Nutrition Supervisor will keep the CFO informed of the status of the Child Nutrition fund balance via monthly email. If and when the balance reaches an amount over the three month's operating expenses, a meeting will be set to create a fiscally responsible plan for spending these funds, much like our current plan stated in this response. Detailed meeting notes will be kept to verify these plans, signed and dated by both the Child Nutrition Supervisor and the CFO.

  
(Signature)

CFO

(Title)

5-28-15

(Date)

# Franklin Township Community School Corporation

Dr. Flora J. Reichanadter, Superintendent  
Chad B. Blacklock, CFO

**Board of Education:**

Dawn A. Downer  
Carlos O. Garner  
Scott Sullivan  
C. Scott Veerkamp  
Larry J. Walker



## FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES

Contact Person: Chad Blacklock  
Contact Number: 317-862-2411  
Anticipated Completion Date: 06-30-16

## CORRECTIVE ACTION PLAN

Our plan to correct this finding will be for South Side Special Service to begin doing a monthly reconciliation of their payroll distribution report to their list of PARs and Certifications for the same period.

South Side Special Services will have their Payroll Specialist prepare these documents then have the Treasurer or their designee sign off on the accuracy of the report.

This report will be filed and readily available for inspection in the future.

Signed \_\_\_\_\_

A handwritten signature in blue ink, appearing to be "C. Blacklock", written over a horizontal line.

Titled \_\_\_\_\_

CFO

Date \_\_\_\_\_

6-27-16

# Franklin Township Community School Corporation

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Dr. Flora J. Reichanadter, Superintendent  
Chad B. Blacklock, CFO

**Board of Education:**

Dawn A. Downer  
Carlos O. Garner  
Scott Sullivan  
C. Scott Veerkamp  
Larry J. Walker



## FINDING 2014-004 – CASH MANAGEMENT AND REPORTING

Contact Person: Chad Blacklock  
Contact Number: 317-862-2411  
Anticipated Completion Date: 06-30-16

### CORRECTIVE ACTION PLAN

Our plan to correct this finding will be for South Side Special Service to begin doing keeping detailed expenditure reports that reconcile with the reimbursement reports submitted for federal grant reimbursement.

South Side Special Services will have their Treasurer prepare these documents and then have the Executive Director or their designee sign off on the accuracy of the report.

This report will be filed and readily available for inspection in the future.

Signed \_\_\_\_\_

A handwritten signature in blue ink, appearing to be "C. Blacklock", written over a horizontal line.

Titled \_\_\_\_\_

CFO

Date \_\_\_\_\_

6-27-16

# Franklin Township Community School Corporation

Dr. Flora J. Reichanadter, Superintendent  
Chad B. Blacklock, CFO

Board of Education:  
Dawn A. Downer  
Carlos O. Garner  
Scott Sullivan  
C. Scott Veerkamp  
Larry J. Walker



## ***FINDING 2014 - 005 – PERIOD OF AVAILABILITY***

Contact Person: Chad Blacklock  
Contact Number: 317-862-2411  
Anticipated Completion Date: already completed

### CORRECTIVE ACTION PLAN

Since the conclusion of the audit period for 7/1/12-6/30/14, this finding has been corrected by having the deputy treasurer prepare the reimbursement reports using detailed expenditure for the time period involved.

The CFO or his designee then reviews and signs off before submitting for reimbursement.

Signed \_\_\_\_\_

A handwritten signature in blue ink, appearing to be "C. Blacklock", is written over a horizontal line.

Titled \_\_\_\_\_

CFO

Date \_\_\_\_\_

6-27-16

FRANKLIN TOWNSHIP COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 28, 2015, with Chad Blacklock, Treasurer; Dr. Flora Reichanadter, Superintendent of Schools; and C. Scott Veerkamp, President of the School Board.

The contents of this report were also discussed on July 14, 2016, with Chad Blacklock, Treasurer; Pamela A. Hicks, Assistant Director of Business; and Kaitlin Boldt, Director of Business and Operations.