

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

PERRY CENTRAL COMMUNITY  
SCHOOL CORPORATION  
PERRY COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
10/07/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry L. Knieriem	07-01-13 to 12-31-16
Superintendent of Schools	Mary Roberson	07-01-13 to 06-30-18
President of the School Board	Larry James Timothy Edwards	07-01-13 to 12-31-14 01-01-15 to 12-31-16



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TO: THE OFFICIALS OF THE PERRY CENTRAL COMMUNITY  
SCHOOL CORPORATION, PERRY COUNTY, INDIANA

This report is supplemental to our audit report of the Perry Central Community School Corporation (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 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

July 12, 2016

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

**FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*Condition*

The School Corporation did not have a system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The following errors were identified: six federal grants were omitted; commodities for the National School Lunch Program were not included; four grants had incorrect amounts reported; program titles and pass-through entities were incorrect for five grants. In total, the SEFA was understated by \$839,146 for the audit period. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*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)

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.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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 have ensured accurate and complete reporting of the federal expenditures on the SEFA.

*Effect*

The failure to establish a proper system of internal control enabled material misstatements of the SEFA to occur.

*Views of Responsible Officials*

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

**FINDING 2015-002 - 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 that are considered material weaknesses.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to the following audit areas:

- a. Cash and Investments - The bank reconciliations for the School Corporation funds were prepared by the School Corporation Treasurer. The bank reconciliations for the extracurricular funds, which included School Lunch and Textbook Rental funds, were performed by the Extracurricular Treasurer. There was no oversight, review, or approval of the bank reconciliations to ensure they were being prepared accurately and completely.

Incorrect bank reconciliations were performed for the extracurricular funds during the audit period. The extracurricular funds ledger was overstated by \$6,594 and \$6,343 as of June 30, 2014 and 2015, respectively, when compared to the reconciled bank balance.

- b. Receipts - The Corporation Treasurer was solely responsible for posting all receipts to the School Corporation ledger. The Extracurricular Treasurer was solely responsible for posting all School Lunch receipts to the extracurricular ledger. There was no oversight, review, or approval process to ensure that all receipts were posted correctly.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- c. Disbursements - All disbursements for the School Lunch fund were processed by the Extracurricular Treasurer. There was no oversight, review, or approval process to ensure that all disbursements were posted correctly.
2. Monitoring of Controls: An evaluation of the School Corporation's system of internal control had not been conducted. Additionally, 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)

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."

*Cause*

Management of the School Corporation had not established a proper system of internal control, including segregation of duties, that would have ensured that misstatements were prevented, or detected and corrected, in a timely manner.

*Effect*

The failure to establish controls enabled material misstatements to remain undetected. 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 would have prevented, or detected and corrected, material misstatements in a timely manner.

*Views of Responsible Officials*

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

**FINDING 2015-003 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER**

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 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Procurement and Suspension and Debarment, Program Income, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), School Food Accounts, and Paid Lunch Equity.

*Activities Allowed or Unallowed and Special Tests and Provisions - School Food Accounts*

An effective internal control system was not in place to ensure that all transactions paid from and recorded in the School Lunch fund were related to the operation of the school food service program.

*Allowable Costs/Cost Principles*

An effective internal control system was not in place to ensure that documentation was maintained to support the employees' time worked on federal programs.

*Cash Management*

An effective internal control system was not in place to ensure that the School Lunch fund monthly cash balances did not exceed the average expenditures for three months.

*Eligibility*

An effective internal control system was not in place to ensure that all records related to eligibility determination were retained and available for audit. Application information was entered into cafeteria software, which automatically made the determination dependent on the information entered into the system. There was no segregation of duties, such as an oversight, review, or approval process to ensure the information was correctly entered into the system.

*Procurement and Suspension and Debarment*

An effective internal control system was not in place to ensure that contracts were entered into with the successful quoters and that suspension and debarment verifications were completed.

*Program Income*

An effective internal control system was not in place to ensure that program income was properly receipted and recorded into the School Lunch fund and that all reports supporting program income were retained and available for audit.

*Reporting*

An effective internal control system was not in place to ensure that the monthly Sponsor Claims (claims for reimbursement), Annual Financial Reports, and Verification Summaries were accurately prepared and submitted. There was no segregation of duties, such as an oversight, review, or approval process.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed and that the supporting documentation of the verification process was retained and available for audit. There was no segregation of duties, such as an oversight, review, or approval process.

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

An effective internal control system was not in place to ensure that the weighted-average paid lunch price calculations were completed and that the paid lunch prices were established accordingly.

*Context*

This was a systemic problem within the School Breakfast and National School Lunch programs. Controls did not exist over the compliance requirements listed above during the audit period.

*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. . . ."

*Cause*

Management had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system could have enabled material noncompliance with the grant agreement and the compliance requirements to occur.

*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 that is part of this report.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2015-004 - ACTIVITIES ALLOWED OR UNALLOWED AND  
SPECIAL TESTS AND PROVISIONS - SCHOOL FOOD ACCOUNTS**

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 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education

*Condition*

Transactions were posted to the School Lunch fund for activities that were not related to the operation of the school food service program. These transactions were for the operation of school-wide vending machines and purchases of additional food items that were subsequently sold to staff.

School Corporation staff contacted the Cafeteria Manager and requested the purchase of additional items that the Cafeteria Manager would then add to the orders submitted for the school food service program. The items were subsequently sold to the staff at cost and all money was deposited into the School Lunch fund. Records were not available for audit to determine the total amount of additional items that were purchased or to ensure that all additional items purchased were subsequently paid for by the staff.

*Context*

The vending machines were located throughout the school buildings and all transactions were accounted for in the School Lunch fund until December 2014. The purchase of additional food items was a systemic issue, occurring throughout the entire audit period.

*Criteria*

7 CFR 210.23(c) states:

"*Retention of records.* State agencies and school food authorities may retain necessary records in their original form or on microfilm. State agency records shall be retained for a period of 3 years after the date of submission of the final Financial Status Report for the fiscal year. School food authority records shall be retained for a period of 3 years after submission of the final Claim for Reimbursement for the fiscal year. In either case, if audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall. . . , with respect to participating schools under its jurisdiction: . . .

- (13) Upon request, make all accounts and records pertaining to its nonprofit school food service available to the State agency, to FNS and to OA for audit or review at a reasonable time and place. Such records shall be retained for a period of three years after the end of the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the three-year period as long as required for the resolution of the issues raised by the audit; . . ."

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that records were retained and available for audit.

*Effect*

The failure to establish controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with Activities Allowed or Unallowed and Special Tests and Provisions - School Food Accounts requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls that would ensure that records were retained and available for audit.

*Views of Responsible Officials*

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

**FINDING 2015-005 - ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.533, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation did not maintain documentation to support employees' salaries and wages charged to the federal programs. For those employees that were paid entirely from the School Breakfast and National School Lunch programs (school food service program), time sheets were maintained; however, there were no employee or supervisor signatures certifying that the work was performed by the employee. Additionally, other periodic certifications that the employees worked solely on a specific program were not maintained during the audit period.

There were three employees that had a portion of their wages paid from the school food service program. No documentation was available to support the portion of their wages that was charged to the program. Personnel Activity Reports were not maintained for these employees.

*Context*

During the audit period, timesheets for hourly employees were never signed by the employee and were only signed by the immediate supervisor if the hours worked by the employee exceeded their normal scheduled hours. No other periodic certifications were being maintained during the audit period.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The salaries of the School Secretary and the Extracurricular Treasurer were paid at a rate of 35 percent and 32.5 percent, respectively, out of the school food service program. These two positions were filled by three different employees during the audit period. Records were not available for audit to verify the percentage of time worked on the federal program.

*Criteria*

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. 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. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles requirements.

*Effect*

The failure to establish controls enabled material noncompliance to occur. Noncompliance with the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

Wages paid from the school food service program to the three employees with prorated time totaled \$58,218 during the audit period and are considered to be questioned costs.

*Recommendation*

We recommended that the School Corporation comply with the Allowable Costs/Cost Principles requirements.

*Views of Responsible Officials*

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2015-006 - 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 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation's cash balance exceeded the average expenditures for three months by an average of approximately \$234,767 per month. The average expenditures for three months for 2013-2014 and 2014-2015 were \$174,302 and \$152,729, respectively.

*Context*

This was a systemic issue. The ending cash balance of the School Lunch fund was greater than the average expenditures for three months throughout the audit period.

*Criteria*

7 CFR 210.14(b) states:

*"Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with §210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . , with respect to participating schools under its jurisdiction: . . .

- (1) . . . (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Cash Management requirements.

*Effect*

The failure to establish controls enabled material noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no question costs identified.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation comply with the Cash Management requirements.

*Views of Responsible Officials*

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

**FINDING 2015-007 - ELIGIBILITY**

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 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation participated in the school food service program and based students' eligibility status on the information recorded in the cafeteria software. The School Corporation relied on the eligibility designations within the software as the program was administered. The software used during 2013-2014 was replaced with new cafeteria software for the 2014-2015 school year.

The School Corporation was not able to access the cafeteria software that was used during the 2013-2014 school year; therefore, eligibility testing for that year could not be performed.

*Context*

For the 2013-2014 school year, eligibility testing could not be performed due to not having access to the cafeteria software that was used during that year.

For the 2014-2015 school year, there was no audit evidence available for 35 of the 40 accounts tested to verify that households were notified of the eligibility determination that was made by the School Corporation. For 2 of the 40 accounts tested, there was no evidence that an application had been filed; however, the families were receiving benefits.

*Criteria*

7 CFR 210.23(c) states:

*"Retention of records.* State agencies and school food authorities may retain necessary records in their original form or on microfilm. State agency records shall be retained for a period of 3 years after the date of submission of the final Financial Status Report for the fiscal year. School food authority records shall be retained for a period of 3 years after submission of the final Claim for Reimbursement for the fiscal year. In either case, if audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit."

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall. . . , with respect to participating schools under its jurisdiction: . . .

- (13) Upon request, make all accounts and records pertaining to its nonprofit school food service available to the State agency, to FNS and to OA for audit or review at a reasonable time and place. Such records shall be retained for a period of three years after the end of the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the three-year period as long as required for the resolution of the issues raised by the audit;. . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that records were retained and available for audit.

*Effect*

The failure to establish controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with Eligibility requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls that would have ensured that records were retained and available for audit.

*Views of Responsible Officials*

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

***FINDING 2015-008 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

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 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation solicited quotes for the purchase of dairy products for the school food service program for each school year. The School Board accepted the quotes during public meetings; however, no contracts were signed with the successful vendor. The School Corporation did not verify that the vendor was not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to accepting the quote.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

There were no contracts entered into for the purchase of dairy products, which exceeded \$25,000 for both school years. There was no evidence for either year that the School Corporation verified that the vendor was not suspended and debarred prior to accepting the quote.

*Criteria*

7 CFR 3016.36(b) states in part:

*"Procurement standards:*

- (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish controls enabled material noncompliance to occur. Noncompliance with the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no question costs identified.

*Recommendation*

We recommended that the School Corporation comply with the Procurement and Suspension and Debarment requirements.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2015-009 - PROGRAM INCOME**

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 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

*Condition*

Daily records of cash receipts, which categorized the collections of the school food service program, were not retained for audit; therefore, it could not be determined whether the School Corporation was properly assessing, collecting, and recording program income generated from the school food service program.

All receipts from daily breakfast and lunch sales, as well as prepayments, were recorded in the School Lunch fund subaccount "elementary lunch." A separate fund was not used to account for the collections of prepaid meals.

*Context*

This was a systemic issue. It could not be determined whether the School Corporation was properly assessing, collecting, and recording program income generated throughout the audit period.

*Criteria*

7 CFR 210.23(c) states:

"*Retention of records.* State agencies and school food authorities may retain necessary records in their original form or on microfilm. State agency records shall be retained for a period of 3 years after the date of submission of the final Financial Status Report for the fiscal year. School food authority records shall be retained for a period of 3 years after submission of the final Claim for Reimbursement for the fiscal year. In either case, if audit findings have not been resolved, the records shall be retained beyond the 3-year period as long as required for the resolution of the issues raised by the audit."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall. . . , with respect to participating schools under its jurisdiction: . . ."

- (13) Upon request, make all accounts and records pertaining to its nonprofit school food service available to the State agency, to FNS and to OA for audit or review at a reasonable time and place. Such records shall be retained for a period of three years after the end of the fiscal year to which they pertain, except that if audit findings have not been resolved, the records shall be retained beyond the three-year period as long as required for the resolution of the issues raised by the audit; . . ."

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that records were retained and available for audit.

*Effect*

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with Program Income requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls that would have ensured that records were retained and available for audit.

*Views of Responsible Officials*

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

**FINDING 2015-010 - REPORTING**

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 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

*Condition*

The SNP Annual Financial Reports filed with the Indiana Department of Education for the fiscal years ending June 30, 2014 and 2015, were not supported by the School Corporation's financial records.

Both the Elementary and Jr/Sr High schools indicated that at least 40 percent of their student population were receiving free or reduced meal benefits; therefore, both schools qualified to be reimbursed at the severe needs reimbursement rate for all breakfasts served.

The monthly Sponsor Claims (claims for reimbursement) filed with the Indiana Department of Education from December 2014 through May 2015 indicated that only the breakfasts served to Jr/Sr High School students were the severe needs classification. The breakfasts served to the Elementary School students were incorrectly reported as regular reduced and free breakfasts served.

*Context*

This was a systemic issue. Neither SNP Annual Financial Reports filed during the audit period could be verified to the financial records of the School Corporation.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Six of the twenty monthly Sponsor Claims (claims for reimbursement) filed during the audit period, December 2014 through May 2015, were incorrect. There were a total of 9,352 meals reported as regular free breakfast and 1,225 meals reported as regular reduced breakfast at the Elementary School that should have been reported under the severe needs classification. The regular free and reduced breakfast meals served were reimbursed at a rate of \$1.62 and \$1.32 per meal, respectively, instead of \$1.93 and \$1.63 per meal, which was the severe needs breakfast rate. Due to these errors, the School Corporation did not claim \$3,279 of eligible meal reimbursements.

*Criteria*

7 CFR 210.8(a)(2) states in part:

*"School food authority claims review process.* Prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches. . . ."

7 CFR 3016.20(b) states in part:

"The financial management systems 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. . . .
- (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 would have ensured that the School Corporation complied with the Reporting requirements.

*Effect*

The failure to establish controls enabled material noncompliance to occur. Noncompliance with the compliance requirements could 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 ensure that all required reports are prepared accurately, in accordance with the Reporting requirements, and that reports are supported by source documentation.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

***FINDING 2015-011 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)***

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 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

*Condition*

The Verification Summary for the 2013-2014 school year indicated that five applications were verified; however, documentation supporting the review process was not available indicating what actions had been taken and which applications were actually verified.

The Verification Summary for the 2014-2015 school year indicated that six applications were selected for verification; however, information was not available, for either year, to support the total number of applications that were reported on the Verification Summary in order to determine whether the correct number of applications was selected for verification.

*Context*

It could not be determined whether the verification process was correctly performed for either year of the audit period.

*Criteria*

7 CFR 210.15(b) states in part:

*"Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title; . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . , with respect to participating schools under its jurisdiction: . . .

- (14) Retain documentation of free or reduced price eligibility as follows:

- (i) Maintain files of currently approved and denied free and reduced price applications which must be readily retrievable by school for a period of three years after the end of the fiscal year to which they pertain; or

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(ii) Maintain files with the names of children currently approved for free meals through direct certification with the supporting documentation, as specified in §245.6(b)(4) of this chapter, which must be readily retrievable by school. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that records were retained and available for audit.

*Effect*

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements.

*Questioned Costs*

There were no question costs identified.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls that would ensure that records are retained and available for audit.

*Views of Responsible Officials*

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

**FINDING 2015-012 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY**

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

*Condition*

The School Corporation did not perform the weighted-average paid lunch price calculation for the 2014-2015 school year.

*Context*

The Indiana Department of Education performed the required weighted-average paid lunch price calculation on behalf of the School Corporation for the 2013-2014 school year and the weighted-average paid lunch price for the 2013-2014 school year, based on this calculation, was \$2.25. The actual weighted-average paid lunch price charged for the 2013-2014 school year was \$2.25; however this amount was not approved by the School Board.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation was required to perform the weighted-average paid lunch price calculation for the 2014-2015 school year. The School Corporation did not perform the calculation as required and it could not be determined if the Paid Lunch Equity requirement was met for the 2014-2015 school year. The paid lunch price remained at \$2.25.

*Criteria*

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority;
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section

...

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Special Tests and Provisions - Paid Lunch Equity requirements.

*Effect*

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

*Questioned Costs*

There were no question costs identified.

*Recommendation*

We recommended that the School Corporation comply with the Special Tests and Provisions - Paid Lunch Equity requirements.

*Views of Responsible Officials*

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2015-013 - ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): A58-0-10DL-0120, A58-5-15DL-0131,  
A58-4-14OT-0021, A58-5-15DL-2227

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an internal control system that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain the documentation necessary to support the employees' salaries and wages charged to the federal program. For those employees that were paid entirely from the Twenty-First Century Community Learning Centers program, the School Corporation did not maintain any Semiannual Certifications that those employees worked solely on that program. For employees that had a portion of their wages paid from the Twenty-First Century Community Learning Centers program, the School Corporation did not maintain Personnel Activity Reports to ensure that payments were properly allocated between federal and non-federal funds.

*Context*

This was a systemic issue. There were no Semiannual Certifications or Personnel Activity Reports maintained throughout the audit period.

*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. . . ."

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation maintained documentation of employees' time worked on the federal program.

*Effect*

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

*Questioned Costs*

There were no question costs identified.

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles requirements.

*Views of Responsible Officials*

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

***FINDING 2015-014 - SUSPENSION AND DEBARMENT***

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-011-PN01, 14214-011-PN01,  
14215-011-PN01, 99914-011-TA01

Pass-Through Entity: Indiana Department of Education

The School Corporation was a member of the Exceptional Children's Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds.

*Condition*

Management of the Cooperative had not established an effective internal control system, to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The Cooperative's Director signed the Application and Assurance Plan as a Condition of Federal Assistance, which stated that the Cooperative would check subcontractors to ensure they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal agency or by any department, agency, or political subdivision of the State of Indiana. However, the Cooperative did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

*Context*

During the 2014-2015 school year, there were two contracts entered into that exceeded \$25,000. There was no evidence that the Cooperative verified that the vendors were not suspended or debarred prior to awarding the contracts.

*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. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management had not developed a system of internal controls that would have ensured that the Cooperative complied with the grant agreement and the Suspension and Debarment requirements.

*Effect*

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Suspension and Debarment requirements listed above.

*Views of Responsible Officials*

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

### Corrective Action Plan

#### **Finding 2015-001**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Treasurer will prepare the SEFA and assistant superintendent will review it to ensure it is accurate and complete.

Anticipated Completion Date: Immediate

#### **Finding 2015-002**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In accordance with state law and the guidance from this audit, Perry Central is in the process of developing a policy to monitor controls and train employees.

In order to provide proper oversight and to document such oversight, the following actions will be conducted:

1. The superintendent will review and sign off on all corporation and extracurricular bank reconciliation statements and make sure that the balances agree with the ledger balances.
2. An agenda item has been added to each monthly board meeting documenting the distribution of an appropriation report, an expenditure report, and a revenue report. Board members are given an opportunity to ask questions and discuss reports during the public meeting.

3. The superintendent will review and sign off on the monthly receipt reports and the disbursement report.

Anticipated Completion Date: December, 2016

**Finding 2015-003**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We have already begun carefully preserving records for testing both with hard copies and through our electronic student information system. In the future if there is a transition of employees, the superintendent will insure that the transition includes proper procurement of records.

We will develop internal controls, including segregation of duties, to ensure compliance with all the requirements of the Child Nutrition Cluster.

Anticipated Completion Date: November 1, 2016

**Finding 2015-004**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: This practice has been stopped and will not occur again.

Anticipated Completion Date: Immediate

**Finding 2015-005**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cafeteria employees will be directed to sign their timecards weekly and the supervisor will sign them also to verify hours.

A time study will be conducted to insure that the percentage of salary paid from different accounts/funds is reflective of the work completed. The superintendent will certify the time studies semi-annually.

Anticipated Completion Date: Processes will be fully implemented by Nov. 1, 2016.

**Finding 2015-006**

Contact Person Responsible for Corrective Action: Mary Roberson

Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

A plan was submitted and approved by the School Lunch Program for use of funds. In the future, the superintendent will monitor to insure that internal controls are in place so that cash balance does not exceed allowable limit.

Anticipated Completion Date: Immediate

**Finding 2015-007**

Contact Person Responsible for Corrective Action: Mary Roberson

Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Notifications are now maintained in a binder for review by the auditors. Access to electronic records will be available through our student information system. We are developing a system with our provider to insure access. All applications will be retained for audit.

Anticipated Completion Date: Immediate

**Finding 2015-008**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Contracts will be entered into with successful vendors and a statement will be added to contracts over \$25,000 that the company or individual is not suspended or disbarred from participation in federal programs.

Anticipated Completion Date: Immediate

**Finding 2015-009**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:  
Income will be broken down into categories in the ledger. Daily collection reports will be printed and saved for audit. A pre-paid trust account will be established and used.

Anticipated Completion Date: Immediate

**Finding 2015-010**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:  
Reports will be reviewed to insure that data is input correctly and to make sure the Annual Financial Report agrees with the ledger.

Anticipated Completion Date: Immediate

**Finding 2015-011**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Information to support the food service program verification of eligibility will be retained for audit. This new process has already been implemented with an organized system of applications being held in binders.

Anticipated Completion Date: Immediate

**Finding 2015-012**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In the future we will insure the calculation is done each year, and that lunch prices are raised to reflect amount dictated by the formula.

Anticipated Completion Date: Immediate

**Finding 2015-013**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Time records will be maintained to support the salary and wages paid from the 21<sup>st</sup> Century Community Learning Center Grants.

Anticipated Completion Date: Beginning immediately and ongoing.

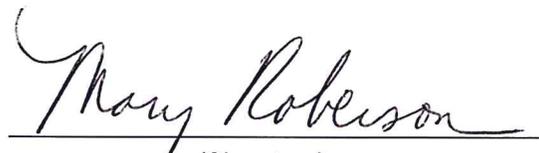
**Finding 2015-014**

Contact Person Responsible for Corrective Action: Mary Roberson  
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As a member of the Board of the Exceptional Children's Co-op, the superintendent will ensure that the Exceptional Children's Co-op verifies that vendors are not suspended or debarred from participating in federal assistance programs prior to awarding contracts with them.

Anticipated Completion Date: Immediate

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

Superintendent

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

July 7, 2016

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***POSTING CONTRACTS ON SCHOOL WEBSITE***

As of March 8, 2016, neither the current Superintendent of School's contract nor the School Corporation Administrators' contracts had been posted on the School Corporation's website.

Indiana Code 20-26-5-4.3(d) states: "A governing body shall post the provisions of an employment contract that the governing body enters into with a superintendent of the school corporation on the school corporation's Internet web site."

Indiana Code 20-26-5-4.7(b) states: "The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."

***EDUCATIONAL FEES***

The School Corporation charged various educational fees to all students during the audit period. The fees were maintained in the extra-curricular textbook rental fund and purchases were made from that fund. The Extra-Curricular Treasurer did not remit the collections of the educational fees to the School Corporation's central office.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, provides 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 Extra-Curricular Accounts, Chapter 6) (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

***RECORD OF HOURS WORKED***

Several officials and employees were paid salaries from more than one fund. A separate record showing which hours were worked for each position was not presented for audit.

Indiana Code 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service Record, General Form No. 99A and/or General Form No. 99B.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employees' Service Record  
General Form 99B, Employee's Earnings Record  
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

**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>
Debt Service	2013	<u>\$ 214,969</u>

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."

**PREPAID FOOD TRUST**

A listing of student cash balances as of June 30, 2015, obtained from the cafeteria software, reflected a prepaid food trust balance in the amount of \$9,844. The prepaid food activity was accounted for within the School Lunch fund. A separate clearing account for the prepaid food trust activity had not been established as prescribed.

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 Administrator and Uniform Compliance Guidelines Vol. 183)

**OFFICIAL BOND**

The School Corporation Deputy Treasurer position and the Extracurricular Treasurer position were not covered by a bond for the period of October 2014 to December 2014.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

During the audit period, Indiana Code 20-26-4-5 stated:

"For each school year commencing July 1, the treasurer of each governing body and the governing body's school corporation and a deputy treasurer, if so appointed, shall give a bond for the faithful performance of the treasurer's and deputy treasurer's duties written by an insurance company licensed to do business in Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of a deputy treasurer appointed as provided in section 1 of this chapter."

Indiana Code 20-41-1-6(a) states in part: "The treasurer shall give a bond in an amount fixed by the superintendent and principal of the school approximating the total amount of the anticipated funds that will come into the possession of the treasurer at any one (1) time during the regular school year. . . ."

***COLLECTIVE BARGAINING AGREEMENTS***

The collective bargaining agreement that was approved August 25, 2014, was not posted to the School Corporation's website within 14 business days.

Indiana Code 20-29-6-19 states: "Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

***TRAVEL POLICY***

The School Corporation was paying for travel expenses without having an approved written travel policy.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes.

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***CREDIT CARDS***

The School Corporation used credit cards to purchase items. A general policy existed that authorized the use of credit cards by school personnel; however, it stated that the Superintendent of Schools should develop administrative guidelines that specify those authorized to use credit cards, the types of expenses which can be paid by credit card, the proper supervision and use, and should require that a log be kept which includes the names of the individuals using the cards, their position, estimated amounts to be charged and the date the card is issued and returned. Administrative guidelines had not been developed.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
2. Issuance and use should be handled by an official or employee designated by the board.
3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

The School Corporation paid penalties, interest, and other charges to the Indiana Department of Revenue in the amount of \$122 because the School Corporation did not remit payroll withholding taxes for the month of October 2014 on a timely basis.

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.

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)

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COLLECTION OF AMOUNTS DUE**

The School Corporation did not actively pursue collection of unpaid amounts due from parents. At June 30, 2015, the School Corporation was owed amounts for unpaid textbook rental and cafeteria charges. The amounts due were \$54,749 for textbook rental and \$31,531 for cafeteria charges.

A policy was not presented for audit that allowed charges to be made in the cafeteria.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 7)

Indiana Code 20-33-5-11(b) states:

"Notwithstanding subsection (a), a school corporation may take any action authorized by law to collect unpaid fees from parents who are determined to be ineligible for assistance, including recovery of reasonable attorney's fees and court costs in addition to a judgement award against those parents."

**GIFT CARDS**

Gift cards were purchased from both School Corporation and Extracurricular funds. The gift cards were being used for staff appreciation gifts for going above and beyond, gifts for volunteers working athletic physical events and employee health incentives. There was no evidence that the School Board authorized the purchase of gift cards or that adequate controls existed over their use.

The State Board of Accounts will not take exception to the use of gift cards by a school corporation or extracurricular account provided the following criteria are observed:

1. The School Board must authorize gift card purchases through a resolution, which has been approved in the minutes.
2. The purposes for which gift cards may be issued must be specifically stated in the resolution.
3. The purchase and issuance of gift cards shall be handled by an official or employee designated by the school superintendent (school corporation) or school principal (extra-curricular account).
4. The designated responsible official or employee shall maintain an accounting system or log which includes the name of the business from which the gift cards were purchased, their amounts, fund and account numbers to be charged, date the card was issued, person gift card was issued to, proof that the gift card was received by the person it was issued to, etc.
5. Gift cards shall not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
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(Continued)

6. Procedures for payments shall be no different than for any other claim. The school superintendent (school corporation) or school principal (extracurricular account) must approve the expenditure and supporting documents such as paid bills and receipts must be available. Additionally, any purchase or issuance of gift cards without proper documentation maybe the responsibility of that officer or employee.

(The School Administrator and Uniform Compliance Guidelines, Volume 201)

***PUBLIC WORKS PROJECT***

On May 18, 2015, the School Board approved contracts with JH Rudolph for track and field pavement improvements at a cost of \$87,530 (plus \$4,500 alternate) and with Reece Seal Coating, Inc., for the coating/stripping of the running track at a cost of \$71,622. There was no evidence presented for audit that quotes were solicited prior to awarding these contracts.

Indiana Code 36-1-12-4.7 states in part:

"(a) This section applies whenever a public work project is estimated to cost: . . . at least fifty thousand dollars (\$50,000) and less than one hundred fifty thousand dollars (\$150,000); . . .

(b) The board must proceed under the following provisions:

- (1) The board shall invite quotes from at least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating that plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter. . . ."

***ERRORS ON CLAIMS***

Three of the ten claims tested for credit card payments did not have adequate supporting documentation. As a result, we were unable to verify that the corresponding \$418 of expenditures were allowable School Corporation expenditures.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

**SCHOOL LUNCH RECEIPTS**

We were unable to determine if receipts posted to the School Lunch fund were deposited timely, if they were deposited in the same form in which they were received, and if they were properly classified, recorded, and allocated. School Food Form SF-2, Daily Record of Cash Received, or an equivalent report, was not available for the audit period. In addition, deposit tickets were not available for 2013-2014 school year.

Indiana Code 5-15-6-3(f) states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

## Perry Central Response to Audit Results from State Board of Accounts

Thank you for the opportunity to respond to the findings presented in the Audit Results and Findings. We extend our thanks to the audit team conducting this audit. We appreciate their diligence and professionalism. At Perry Central we are committed to holding the highest standards of integrity and following laws and procedures. As a public entity we understand that we are entrusted by the tax payers and are held to very high standards. We are human, and some of the findings were human error. We extend our apologies for making errors, but also must make it clear that no findings represent negligence or misuse of funds. Listed below is a very brief response to each finding:

**Posting of Contracts** – Information about the superintendent’s contract was posted, but the contract in its entirety was not posted. This has been remedied. Our goal is always to follow the law and provide complete transparency for the taxpayers.

**Educational Fees** – This finding has no bearing on the funds received or expended. All funds were collected and used properly. It is a matter of required practice by the State Board of Accounts of which we were not aware. We will follow the practice in the future.

**Record of Hours Worked** - All employees were paid properly for time worked. SBOA is requesting that when employees are paid out of multiple funds, a time study is conducted to insure the percentage paid from each fund is accurate. We will conduct such time studies. We believe that the estimates we have used are accurate, but we will follow the SBOA recommendation in order to provide sound documentation.

**Appropriations** – This finding is a reflection of a debt service payment that was made in January instead of December, which increased the appropriation expended in one year and decreased it in another. All funds were used properly, but due to a timing issue there was an issue with appropriations. The issue had no effect on funds received or dispersed.

**Prepaid Trust Fund** – We have followed the practice that most schools follow of receipting prepaid lunch payments to the lunch account. The new prescribed practice is to put funds in a separate “prepaid trust.” Upon this recommendation, we have created this new fund and will follow this practice in the future.

Official Bond – There was a short period of time during a transition of ECA treasurers that an official bond was not held. We apologize for this oversight, but point out that it is in the past and no problems arose from the error.

Collective Bargaining Agreements – This was an error that has been resolved.

Travel and Credit Card Policies – Although there is no negligence or misuse cited by SBOA we recognize the value of adopting policies to outline travel and credit card use. The Perry Central Board of School Trustees will be adopting such policies in the near future.

Penalties, Interest and Other Charges – During the transition of treasurers, a payroll withholding payment was late and a penalty charged. We regret this occurred.

Collection of Amounts Due – Perry Central DOES actively pursue unpaid account balances. We enlist a variety of methods including phone calls and letters. We utilized a collection agency for a time period and have pursued small claims court. We understand the magnitude of this issue, and the Board will adopt a policy and seek to improve the situation.

Gift Cards – No negligence or misuse of gift cards has been suggested by SBOA, and all gift cards purchased were used according to prescribed practices. Following this finding, we will utilize gift cards very sparingly and develop a policy for use.

Public Works Project – This was a project that stretched across a one year period, and the Board was actively involved in the process. When the bids for the project were ultimately approved, the quotes were out of date. We believe that the project was conducted fairly and in the best interest of the school corporation and taxpayers. We apologize for the oversight in procedure.

Errors on Claims – There is no evidence of misuse of funds, but we recognize that the State Board of Accounts is now requiring an increased level of documentation on claims and receipts. We will make adjustments to adhere to these standards.

School Lunch Receipts – Lunch accounts were deposited in a timely manner, but unfortunately through a transition of treasurers, documentation to support the deposits were lost.

Respectfully submitted



Mary Roberson  
Superintendent  
7-15-2015

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on July 12, 2016, with Mary Roberson, Superintendent of Schools; Sherry L. Knieriem, Treasurer; Timothy Edwards, President of the School Board; Glenn M. Etienne, School Board member; Nanette Dupont, School Board member; and Lora Hubert, Extracurricular Treasurer.