

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
PULASKI 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	David Thompson	07-01-13 to 10-24-13
	(Vacant)	10-25-13 to 10-27-13
	Steve Kain (interim)	10-28-13 to 12-31-13
	Angela Anspach	01-01-14 to 06-30-17
Superintendent of Schools	Dan L. Foster	07-01-13 to 06-30-17
President of the School Board	Michael Tetzloff	01-01-13 to 12-31-13
	Joe Cunningham	01-01-14 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EASTERN PULASKI COMMUNITY
SCHOOL CORPORATION, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the Eastern Pulaski 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/.

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

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

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

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

August 11, 2016

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

The School Corporation had deficiencies in the internal control system related to all areas of the financial statement. The School Corporation had not identified risks to the preparation of a reliable financial statement and, as a result, had failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

The School Corporation had not separated incompatible activities related to cash and investments, receipts, and disbursements.

Context

Cash and Investments

The School Corporation had not properly designed or implemented policies and procedures to properly account for cash and investments. There were no controls to ensure that the accounting records were reconciled with the depository balances.

Reconciliations of the record balances to the depository balances were not completed for any of the 24 months of the audit period.

Receipts

The School Corporation had not properly designed or implemented adequate policies and procedures to ensure that receipts were properly recorded.

Receipts for the 2014-2015 school year contained the following errors:

1. Duplicate or incorrect amounts were recorded which overstated the cash investments balance of the General fund by the net amount of \$666,100.
2. County Adjusted Gross Income Tax (CAGIT) receipts were not recorded to several funds which resulted in an understatement of \$12,978.
3. Other miscellaneous errors identified understated the receipts by \$45.

Disbursements

The School Corporation had not properly designed or implemented policies and procedures to ensure that disbursements, including vendor and payroll disbursements, were properly recorded.

Reporting

The School Corporation had not properly designed or implemented policies and procedures to ensure that the financial statement was accurate and complete and agreed with the accounting records. The Form 9 information, from which the financial statement was generated, was certified by the Superintendent and School Board President; however, there was no process to ensure that the information was accurate and complete.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The 2014-2015 financial statement presented for audit contained the following errors:

1. The Rainy Day fund included receipts that were not in the accounting records, resulting in overstated receipts and understated other financing sources (uses) by \$1,500,000.
2. Reported receipts totaling \$96,310 were not included in the receipts or cash and investment balances.
3. Gifted and Talented fund disbursements were overstated by \$4,940.
4. The Post Retirement Severance Benefit fund was incorrectly titled on the financial statement as Special Education Preschool and did not include \$103,178 in receipts.
5. The General fund disbursements were understated by \$34,182.

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement. However, other errors remained that were not detected or corrected.

An evaluation of the School Corporation's system of internal control had not been conducted. 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)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish and monitor controls enabled material misstatements to remain undetected. The failure to perform reconciliations of the record balances to the depository balances affected our ability to obtain sufficient appropriate audit evidence to ascertain if the financial statement was fairly stated and to provide a basis for an audit opinion. We did not express an opinion on the financial statement.

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 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had not designed or implemented adequate policies and procedures to ensure that the SEFA was accurate prior to submission.

The SEFA presented for audit contained the following errors:

1. Department of Agriculture expenditures and commodities were not included in the SEFA, resulting in under reporting by \$274,117 and \$326,428 for the 2013-2014 and 2014-2015 school years, respectively.
2. Title I Grants to Local Educational Agencies expenditures were overstated by \$22,002 and \$155,538 for the 2013-2014 and 2014-2015 school years, respectively.
3. Special Education_Grants to States expenditures of \$67,927 were not included in the SEFA for the 2013-2014 school year.

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. . . ."

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

"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.
..."

Cause

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

Effect

The failure to establish and proper controls enabled material misstatements of the SEFA to remain undetected. The SEFA contained the errors identified in the *Condition*.

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 - 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 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Program Income compliance requirement. The School Corporation had not designed or implemented policies and procedures to ensure that Program Income was properly recorded.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

In the 2014-2015 school year, there were no transfers from the Prepaid Lunch fund to the School Lunch fund to properly record and classify program income from meals served and charged to prepaid accounts.

Context

The lack of controls and noncompliance applied to the 2014-2015 school year.

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. . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

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)

Cause

Management did not develop a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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

In addition, we recommended that the School Corporation comply with the Program Income compliance requirement.

Views of Responsible Officials

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

FINDING 2015-004 - INTERNAL CONTROLS OVER THE 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 2014 and FY 2015

Pass-Through Entity: Indiana Department of Education

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, and Reporting compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not designed or implemented policies or procedures to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles requirements. There were no controls in place to ensure that vendor and payroll expenditures were for activities or costs that were allowable for the programs.

Cash Management

The School Corporation had not designed or implemented policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the average expenditures for three months.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure that only eligible students received free or reduced price meals.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Sponsor Claims (Requests for Reimbursement) reports and the Annual Financial Reports were accurate prior to submission.

Context

This was a systemic problem throughout the audit period.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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.

FINDING 2015-005 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-6620, 13-6620, 14-6620

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation had not designed or implemented adequate controls to ensure that program expenditures were made before the request for reimbursement was submitted or that the Reimbursement Forms and Statement of Expenditures for Project Period Reports (Expenditure Report) were accurate before submission. Lack of internal controls allowed the School Corporation to request reimbursement in excess of actual costs or for amounts that had not been paid prior to the request and allowed the Expenditure Report to be inaccurate.

There were the following noncompliance with Cash Management and Reporting requirements:

1. A reimbursement request for \$99,466 was submitted on May 27, 2015; however, \$59,914 of that amount had not yet been expended.
2. A reimbursement request submitted December 9, 2014, was \$3,879 in excess of actual expenditures.
3. A reimbursement request was submitted on July 14, 2014, for \$1,275 for which no matching expenditure was found.
4. Expenditure Report for the 2013-2014 school year overstated actual expenditures by \$5,154.

Context

Our audit included all 11 Reimbursement Forms and the 1 Expenditures Report submitted 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. . . ."

34 CFR 80.20(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.
- (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. . . .
- (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. . . ."

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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."

Cause

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

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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's management establish controls, including segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements.

In addition, we recommended that the School Corporation comply with the Cash Management and Reporting compliance requirements and contact the Indiana Department of Education concerning unused funds from the FY 2013-2014 program.

Views of Responsible Officials

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

**FINDING 2015-006 - ACTIVITIES ALLOWED OR UNALLOWED
AND ALLOWABLE COSTS/COST PRINCIPLES**

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-6620, 13-6620, 14-6620

Pass-Through Entity: Indiana Department of Education

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation had not designed or implemented policies or procedures to ensure that program expenditures were for activities and costs allowed for Title I grants. There were no controls to ensure that personnel paid with Title I funds actually worked in the Title I program.

During the 2013-2014 school year, the Elementary Extra-Curricular Treasurer was paid \$2,603 from Title I funds but did not work or have duties relating to any activities of the Title I program.

Semiannual Certifications and Personnel Activity Reports for employees who worked on Title I were not prepared.

Context

The conditions described above were found throughout the audit.

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 Circular A-87, Attachment A, item c(1), states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . ."

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

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

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

EASTERN PULASKI 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 . . ."

Cause

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

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

In addition, we recommended that the School Corporation comply with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance 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 - INTERNAL CONTROL OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 12-6620, 13-6620, 14-6620

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the following compliance requirements: Eligibility, Level of Effort, Period of Availability, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Annual Report Card, High School Graduation Rate.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Eligibility

The School Corporation had not designed or implemented policies and procedures to ensure that children were adequately evaluated to determine their eligibility for Title I services. There were no controls in place to ensure that the eligibility determinations were accurate.

Level of Effort

The School Corporation had not designed or implemented policies or procedures to ensure compliance with Level of Effort requirements. There were no controls in place to ensure that the level of effort calculation was accurate.

Period of Availability

The School Corporation had not designed or implemented policies and procedures to ensure that expenditures were made within the period of availability.

Special Tests and Provisions

The School Corporation had not designed or implemented policies and procedures to ensure compliance with Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals. There were no controls in place to ensure that the proper documentation to verify the qualifications of paraprofessionals was received and retained.

The School Corporation had not designed or implemented policies and procedures to ensure compliance with the Special Tests and Provisions. There were no controls to ensure that the Annual Report Card, High School Graduation Rate was properly completed and retained.

Context

The lack of internal controls over the compliance requirements noted above was evident 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. . . ."

Cause

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

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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



EASTERN PULASKI COMMUNITY SCHOOL CORPORATION

711 School Drive
Winamac, IN 46996

Phone: 574-946-4010
Fax: 574-946-4510

CORRECTIVE ACTION PLAN

Contact Person Responsible for Corrective Action: Angie Anspach
Contact Phone Number: 574-946-4010 ext. 229

Description of Corrective Action Plan:

FINDING 2015 – 001

The bank account will be reconciled on a monthly basis to ensure that the accounting records are reconciled with the depository balances. The superintendent and/or assistant treasurer/bookkeeper will review the reconciliation for accuracy.

Reporting - Control activities will be in place to ensure all reporting, and specifically the Form 9 information, is accurate.

FINDING 2015-002

The treasurer will implement internal controls to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). A checklist for the preparation of the SEFA will be implemented to ensure accurate reporting of federal awards to minimize errors. The treasurer will prepare the reports and the superintendent and/or assistant treasurer/bookkeeper will review the reports for accuracy before submission.

FINDING 2015-003

The treasurer will implement internal controls related to the grant agreement and the Program Income compliance requirements. Transfers from the Prepaid Lunch Fund to the School Lunch Fund have been made and balanced. The Assistant Treasurer/Bookkeeper will post the transfers and review them for accuracy.

FINDING 2015 – 0004

The treasurer will implement controls, including segregation of duties, related to the grant agreement and compliance requirements. A checklist will be established to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of the federal program will be prevented, or detected and corrected, on a timely basis. The superintendent and/or assistant treasurer/bookkeeper will review the documents for accuracy before submission.

FINDING 2015 – 0005

The treasurer will implement adequate controls to ensure that program expenditures are made before the request for reimbursement has been submitted and that the Reimbursement Requests and Statement of Expenditures for Project Period Reports (Expenditure Report) are accurate before submission. The Assistant Treasurer/Bookkeeper will review all documents before being submitted to request reimbursement.



FINDING 2016 – 0006

The treasurer will establish controls, including segregation of duties, related to the grant agreement and compliance requirements. An internal control check list, which includes segregation of duties, will be designed to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of the federal program will be prevented, or detected and corrected, on a timely basis. The grant writer will review all documents to prevent errors.

FINDING 2015-007

The treasurer will establish controls, including segregation of duties, related to the grant agreement and compliance requirements. An internal control checklist system, which includes segregation of duties, will be designed to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. The grant writer will review all documents to prevent errors.

Anticipated Completion Date:

All corrective actions noted above as it relates to Findings 2015- 001, 2015-002, 2015-004, 2015-005, 2015-006, and 2015-007 will be implemented immediately.

The corrective action noted above as it relates to Finding 2015-003 has been implemented.

Angel A. Pacheco
(Signature)

Treasurer
(Title)

August 11, 2016
(Date)

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

Compensation and benefits were paid to the Treasurer and Deputy Treasurer in excess of the amount approved on the salary ordinance or resolution. The excess compensation and benefits paid to the Treasurer was \$12,118 for payrolls dated January 1, 2014 to June 30, 2015. The excess compensation and benefits paid to the Deputy Treasurer was \$16,259 for payrolls dated July 1, 2013 to December 31, 2014. The School Board retroactively approved the additional compensation on June 20, 2016, effective December 9, 2013.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The financial statements presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2015.

Fund	Amount Overdrawn 06-30-15
Retirement/Severance Bond Debt Service	\$ 12,128
School Lunch	6,705
Payroll Clearing	4,085

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Debt Service	2014-2015	\$ 150,397
Retirement/Severance Bond Debt Service	2014-2015	149,933
Capital Projects	2014-2015	572,193
School Bus Replacement	2014-2015	71,962

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."

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

PREPAID LUNCH ACCOUNT RECONCILIATIONS

The School Corporation did not properly use the Prepaid School Lunch clearing account for 2014-2015. Subsidiary records of student lunch account balances were not reconciled to the control account monthly.

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, September 2008)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not sign the written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

DEPOSITS

Receipts were deposited later than the next business day in 30 percent of receipts tested. Deposits were made from between 3 to 5 days after receipts were recorded in the ledger.

Indiana Code 5-13-6-1(c) states in part: "... all local officers ... who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the ... local boards of finance ..."

CURRICULAR MATERIALS RENTAL

The School Corporation charged a flat rate per student for curricular materials rental and educational fees. The Administration and School Board approved the curricular materials rental rate and educational fee charges at a flat rate for each of the past 17 school years. Documentation was not presented for audit to establish the retail price and age of each curricular materials rented by each student in order to determine compliance with Indiana statutes.

A similar comment was in prior Report B43310.

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Included in the curricular materials rental was an education fee that was approved by the School Board each year. The School Corporation did not present written guidance from an attorney concerning the fee's compliance with the Indiana Constitution.

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

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent these curricular materials to students The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than twenty-five percent (25%) of the retail price of a curricular materials that has been:

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

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

OFFICIAL BOND

The High School and Elementary School Extra-Curricular Treasurers and the Lunch Express Clerk obtained individual Surety Bonds with no specified expiration date beginning January 1, 2015.

The official bonds of treasurers, corporation or extra-curricular, must be written for a period of one (1) year, the term of office of the respective treasurer. Bonds may be for a shorter period for a person appointed to complete the term of a treasurer who resigned or is deceased. The bonds shall be payable to the State of Indiana as required by IC 5-4-1-10; and, after approval, shall be filed and recorded in the office of the recorder of the county wherein the treasurer resides as provided in IC 5-4-1-5.1 as well as with Board of School Trustees. No charge shall be made by the recorder of the county for recording the official bonds of any public officer, deputy, appointee or employee (IC 36-2-7-10). (The School Administrator and Uniform Compliance Guidelines, March 2010)

EASTERN PULASKI COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2016, with Angela Anspach, Treasurer; Dan L. Foster, Superintendent of Schools; and Joe Cunningham, President of the School Board.