

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JOHN GLENN SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
10/14/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Darlene M. Flora Thomas L. Bendy	01-01-13 to 05-31-14 06-01-14 to 06-30-16
Superintendent of Schools	Richard M. Reese	07-01-13 to 06-30-19
President of the School Board	Dennis D. Holland William Groves Curt Pletcher Robert A. Borlik	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE JOHN GLENN SCHOOL  
CORPORATION, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the John Glenn 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

May 16, 2016

JOHN GLENN SCHOOL CORPORATION  
FEDERAL FINDINGS

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

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting that were considered material weaknesses.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts. One person was solely responsible for all aspects of the receipt process, including collecting, issuing, depositing, and recording receipts in the financial accounting system.
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.
3. 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). One person was solely responsible for preparing the SEFA without documented oversight or review.

*Criteria*

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

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

*Cause*

Management of the School Corporation had not established a proper system of internal control. An evaluation of the School Corporation's system of internal control had not been conducted.

*Effect*

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

*Views of Responsible Officials*

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

JOHN GLENN SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-002 - SUSPENSION AND DEBARMENT***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Number and Year: 13-7150  
Pass-Through Entity: Indiana Department of Education

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement.

The School Corporation failed to provide evidence that a search of the Excluded Parties List Systems through the System of Award Manager Center at [www.sam.gov](http://www.sam.gov) was conducted that certification from the entity was collected, or that a clause or condition was added to the contract.

*Context*

During the audit period, there was only one purchase from Title I funds that exceeded \$25,000.

*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) Collection 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 segregated key functions.

JOHN GLENN SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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 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.

We also recommended that the School Corporation comply with the Suspension and Debarment requirement of the program.

*Views of Responsible Officials*

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



# John Glenn School Corporation

101 John Glenn Drive, Walkerton, IN 46574  
Phone: (574) 586-3129 Fax: (574) 586-2660  
www.jgsc.k12.in.us

## CORRECTIVE ACTION PLAN

### FINDING 2015 - 001

Contact Person Responsible for Corrective Action: Thomas Bendy  
Contact Phone Number: 574-586-3129


#### Description of Corrective Action Plan:

The John Glenn School Corporation acknowledges a deficiency within its internal control structure for segregation of duties, specifically as the procedures pertain to collecting and recording receipts. We will change our internal control process for receipts to the following:

1. Administrative Secretary will open the mail. Any checks will be taken to the Administrative Assistant to prepare the deposit.
2. Administrative Assistant will prepare the deposit and give to the Deputy Treasurer for review and to make the deposit with the financial institution.
3. The Treasurer will receipt the deposit and reconcile the deposit to the bank statement.
4. The Superintendent will review the bank reconciliation prepared by the Treasurer.

The John Glenn School Corporation will also review all internal control processes, including monitoring controls, documentation, preparation, and reviews. The John Glenn Board of School Trustees will approve a resolution to adopt Uniform Internal Control Standards for Indiana Political Subdivisions developed by the Indiana State Board of Accounts. In addition, the Board will approve the documented internal control procedures currently in place by the Corporation. These processes will then be reviewed and revised as needed to strengthen the internal controls procedures.

Anticipated Completion Date: Effective immediately following the May 16, 2016 Audit Exit Conference.



Thomas L. Bendy



Title

5-16-16

Date

# John Glenn School Corporation

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Phone: (574) 586-3129 Fax: (574) 586-2660  
www.jgsc.k12.in.us

## CORRECTIVE ACTION PLAN

### FINDING 2015 – 002

Contact Person Responsible for Corrective Action: Thomas Bendy

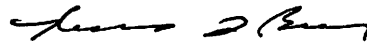
Contact Phone Number: 574-586-3129

#### Description of Corrective Action Plan:

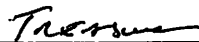
The John Glenn School Corporation Board of School Trustees passed its first reading on new federal purchasing policies at its May 3, 2016 Board Meeting. This will create a new policy for procurement that deals specifically with federal purchasing and will fall under Policy 6325 in the John Glenn School Corporation Bylaws and Policies. Within Policy 6325 can be found the procedure for purchasing items with federal funding, including the process of reviewing any purchase exceeding \$25,000 to ensure the vendor was not excluded under the Procurement, Suspension, and Debarment compliance requirements.

The Treasurer will review the vendor for all federal purchases over \$25,000 on the System of Award Manager Center (SAM) website to certify that the vendor has not been suspended or debarred from entering into the purchase with the John Glenn School Corporation or any government agency.

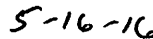
Anticipated Completion Date: Effective immediately following the May 16, 2016 Audit Exit Conference.



Thomas L. Bendy



Title



Date

JOHN GLENN SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***PREPAID LUNCH FUND***

During the majority of the audit period, the School Corporation recorded all receipts from sales, as well as prepayments, directly in the School Lunch fund. Prepayments were not recorded in a prepaid food fund and regularly allocated to the School Lunch fund. The School Corporation established a Prepaid Food fund in May 2015.

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 Bulletin and Uniform Compliance Guidelines, September 2008)

***TEXTBOOK RENTAL FEES CALCULATION AND DOCUMENTATION***

Supporting documentation to support the total cost of the textbooks used in the calculation of the Textbook Rental Fees was not available for audit. Additionally, the total cost of the textbook fees being charged includes a 10 percent mark-up fee for shipping cost. The textbook rental fees should include actual costs incurred, which would include the actual cost of the book and actual shipping cost.

During the audit period, Indiana Code 20-26-12-2(a) stated:

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

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

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

During the audit period, Indiana Code 5-15-6-3(d) stated in part: "No financial records or records regarding thereto shall be destroyed until the earlier of the following actions: (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied."

JOHN GLENN SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2016, with Thomas L. Bendy, Treasurer; Richard M. Reese, Superintendent of Schools; and Robert A. Borlik, President of the School Board.

The contents of this report were discussed on May 24, 2016, with Darlene M. Flora, former Treasurer.