

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

COMMUNITY SCHOOL CORPORATION OF
SOUTHERN HANCOCK COUNTY
HANCOCK COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
10/31/2016

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Robert L. Yoder | 07-01-12 to 06-30-17 |
| Superintendent of Schools | James M. Halik Dr. Lisa Lantrip | 07-01-12 to 06-30-14 07-01-14 to 06-30-17 |
| President of the School Board | William Niemier Craig S. Wagoner, Sr. | 07-01-12 to 12-31-14 01-01-15 to 06-30-17 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE COMMUNITY SCHOOL CORPORATION OF
SOUTHERN HANCOCK COUNTY, HANCOCK COUNTY, INDIANA

This report is supplemental to our audit report of the Community School Corporation of Southern Hancock County (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

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

September 13, 2016

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
FEDERAL FINDINGS

FINDING 2014-001 - ELIGIBILITY, 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): FY2013, FY2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect to the programs. This included the following compliance requirements: Eligibility and Reporting.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals were accurately determined. The application information was entered into the food service software which automatically made the determination. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the information entered into the food service software was correct.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that required reports were accurately prepared and submitted. The Sponsor Claims (claims for reimbursement) were independently prepared and submitted by the Food Service Director. The Food Service Director also submitted the Annual Financial Report. There was no segregation of duties, such as an oversight, review, or approval process.

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

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

The failure to establish an effective internal control system could have placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system 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.

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

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
FEDERAL FINDINGS
(Continued)

FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-027-PN01, 14213-027-PN01,
14214-027-PN01, 45712-027-PN01,
45713-027-PN01, 45714-027-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system, which Would have included segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation participated in the Hancock Madison Shelby Educational Services (HMSES). The HMSES provided special education services at the school level. The School Corporation did not complete the required Semiannual Certification Activity Reports for Special Education Cluster program personnel for either of the fiscal years. Management of HMSES did not have proper knowledge of the grant agreement.

The School Corporation participated in the Hancock Madison Shelby Educational Services (HMSES). The HMSES provided special education services at the school level. The School Corporation did not complete the required Semiannual Certification Activity Reports for Special Education Cluster program personnel for either of the fiscal years. Management of HMSES did not have proper knowledge of the grant agreement.

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

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

OMB Circular A-87, Attachment B, Item 8h(3), states in part:

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

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above. We also recommended that the required Semiannual Certification Activity Reports for Special Education Cluster program.



Community School Corporation of Southern Hancock County
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<http://corp.newpal.k12.in.us>

April 7, 2016

CORRECTIVE ACTION PLAN

Findings No. 2014-001 – Eligibility; Reporting

| | |
|--------------------------------|---|
| Federal Agency: | Department of Agriculture |
| Federal Program: | School Breakfast Program, National School Lunch Program |
| CFDA Number: | 10.533 and 10.555 |
| Federal Award Number and Year: | FY2013, FY2014 |
| Pass-Through Entity: | Indiana Department of Education |
| Auditee Contact Person: | Robert L. Yoder |
| Phone Number: | 317-861-4463 x111 |

Eligibility- The Food Service Administrative Assistant will enter the application information into the food service software. The Food Service Director will review the information entered prior to processing the application through the software which automatically makes the determination based upon the information entered. Effective April 2016.

Reporting- As of April 2016, the Food Service Director prepares the monthly claim for reimbursement and Annual Financial Report (AFR). The Corporation Deputy Treasurer reviews and submits the monthly claim for reimbursement. The Assistant Superintendent will review the AFR with the Food Service Director and Corporation Deputy Treasurer prior to submission on an annual basis.

The above findings were fully corrected as of 4/1/2016.

Robert L. Yoder
Assistant Superintendent
CSCSHC



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September 13, 2016

CORRECTIVE ACTION PLAN

Findings No. 2014-002 – Allowable Cost / Cost Principles

Federal Agency: Department of Education
Federal Program: Special Education Grants to States and Special Education Preschool Grants
CFDA Number: 84.027 and 84.173
Federal Award Number and Year: 14212-027-PN01, 14213-027-PN01, 14214-027-PN01, 45712-027PN01, 45713-027-PN01 and 45714-027-PN01
Pass-Through Entity: Indiana Department of Education
Auditee Contact Person: Robert L. Yoder
Phone Number: 317-861-4463 x111

Allowable Cost / Cost Principles – Time and Effort Reporting – The School Corporation will obtain the semi-annual certification activity reports for the Special Education Cluster program personnel for both fiscal years.

Allowable Cost / Cost Principles – The Human Resource Assistant will collect the semi-annual certification activity reports. Effective July 1, 2016 the HMSES staff is now on our payroll. As of July 1, 2017 the HMSES will be dissolved.

The Assistant Superintendent will review the signed reports to assure we are in compliance.

The above findings will be corrected by September 30, 2016.

Robert L. Yoder
Assistant Superintendent
CSCSHC

COMMUNITY SCHOOL CORPORATION OF SOUTHERN HANCOCK COUNTY
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2016, with Robert L. Yoder, Treasurer; Dr. Lisa Lantrip, Superintendent of Schools; Craig S. Wagoner, Sr., President of the School Board; and Ashlie Worth, Deputy Treasurer.