

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAY SCHOOL CORPORATION

JAY COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
09/04/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bradley T. DeRome	07-01-12 to 12-31-15
Superintendent of Schools	Dr. Timothy D. Long	07-01-12 to 06-30-15
President of the School Board	Gregory E. Wellman Michael A. Masters	01-01-12 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE JAY SCHOOL CORPORATION, JAY COUNTY, INDIANA

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

June 1, 2015

JAY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the School Corporation had failed to report any expenditures for the FY 2012/2013 SEFA. Audit adjustments totaling \$3,218,966 were proposed, accepted by the School Corporation, and made to the FY 2012/2013 SEFA presented in this report. The FY 2013/2014 SEFA had not reported \$155,332 in expenditures for School Breakfast Program, not reported \$931,384 in expenditures for National School Lunch Program; not reported \$39,111 in expenditures for Summer Food Service Program for Children; underreported \$33,473 in expenditures for Special Education_Preschool Grants; underreported \$173,008 in expenditures for Title I Grants to Local Educational Agencies; and incorrectly included \$66,720 of non-federal expenditures. Audit adjustments totaling \$1,265,588 were proposed, accepted by the School Corporation, and made to the 2013/2014 SEFA presented in this report.

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.

JAY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (2) For Federal awards received as a sub-recipient, 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.
- (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 sub-recipients 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."

FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Number): 14212-031-PN01, 14213-031-PN01,
14214-031-PN01, 99914-031-TA01,
45712-031-PN01, 45713-031-PN01,
and 45714-031-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system over the compliance requirement for Allowable Costs/Cost Principles that has a direct and material effect on its Special Education_Grants to States and Special Education_Preschool Grants. The failure to establish an effective internal control system places the School Corporation at risk of material noncompliance.

The School Corporation failed to maintain the necessary documentation relating to time and effort. Time and effort logs should be maintained to help ensure that payments were properly allocated between federal and non-federal funds as required.

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."

JAY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, item 8h, 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:
- (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."

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

We recommended that School Corporation officials establish procedures that relate to the grant agreement and compliance requirements listed above.

FINDING 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-3945, 13-3945, 14-3945

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system over the compliance requirement for Allowable Costs/Cost Principles that has a direct and material effect on its Title I Grants to Local Educational Agencies. The failure to establish an effective internal control system places the School Corporation at risk of material noncompliance.

The School Corporation failed to maintain the necessary documentation relating to time and effort. Time and effort logs should be maintained to help ensure that payments were properly allocated between federal and non-federal funds as required.

JAY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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, 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:
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."

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

We recommended that School Corporation officials establish procedures that relate to the grant agreement and compliance requirements listed above.

The Jay School Corporation
1976 W. Tyson Road - P.O. Box 1239 - Portland, IN 47371
Phone: 260-726-9341 Fax: 260-726-4959

Date: June 1, 2015

To: State Board of Accounts

Corrective Action Plan

Finding 2014-001 – Internal Controls

Contact Person Responsible for Corrective Action: Brad DeRome, Business Manager / Treasurer

Contact Phone Number : 260-726-9341

Description of Corrective Action Plan

Each year a list of all federal awards will be compiled with the assistance of the Deputy Treasurer, Special Ed Director, Food Service Director, Superintendent, and the Title 1 Coordinator.

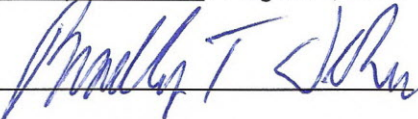
The Business Manager will prepare the Schedule of Expenditures for Federal Awards with the assistance of the Deputy Treasurer as required at the end of each fiscal year. The Deputy Treasurer will be provided with the list of all federal awards for the fiscal year and will review all of the documentation supporting the Schedule's content for accuracy and completeness prior to the Schedule's submission.

At present time, this required Schedule of Expenditures of Federal Awards is a " Gateway " on line report through the State of Indiana web portal. The Business Manager will seek the instructions, requirements, and deadlines for this on – line report process.

The goal is to have the reports compiled on a timely basis and entered into the Gateway System.

The State of Indiana DLGF, and State Board of Accounts should also share in the goal of improving the communication of the required timely instructions for the preparation, entry, and compilation of the said reports included in this action plan during the upcoming new audit period.

Anticipated Completion Date: August 1, 2015



Bradley T. DeRome, Business Manager / Treasurer

Date 6-1-2015

Corrective Action Plan

Finding 2014-002 – Allowable costs/Cost Principles

Contact Person Responsible for Corrective Action: Brad DeRome, Business Manager / Treasurer

Contact Phone Number : 260-726-9341

Description of Corrective Action Plan

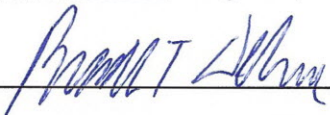
Each year a list of all federal awards for Special Education (IDEA –Part B) and Special Education – Preschool Grants (IDEA Preschool) will be compiled by the Deputy Treasurer with the assistance of the Business Manager, Special Ed Director, Superintendent, and Title 1 Coordinator.

The Business Manager will review the list of federal awards, along with the Deputy Treasurer, Payroll Coordinator, Special Ed Director, Superintendent, and Title 1 Coordinator for those specific programs that will have employees that will be paid from said federal awards.

Once the federal awards and employees are identified, they will be accounted for according to the federal requirements for compliance. The employee activity for time and effort logs will be maintained to support the federal award by the Deputy Treasurer. The Payroll Coordinator will pay the said employees per the federal award guidelines based upon approved time and effort logs towards the approved programs.

These employees paid from the various federal awards will be supported by periodic certification of their time and effort logs by their supervisors.

Anticipated Completion Date: August 1, 2015



Bradley T. DeRome, Business Manager / Treasurer

Date 6-1-2015

Corrective Action Plan

Finding 2014-003 – Allowable costs/Cost Principles

Contact Person Responsible for Corrective Action: Brad DeRome, Business Manager / Treasurer

Contact Phone Number : 260-726-9341

Description of Corrective Action Plan

Each year a list of all federal awards for Title 1 will be compiled by the Deputy Treasurer with the assistance of the Business Manager, Special Ed Director, Superintendent, and Title 1 Coordinator.

The Business Manager will review the list of federal awards for Title 1, along with the Deputy Treasurer, Payroll Coordinator, Special Ed Director, Superintendent, and Title 1 Coordinator for those specific programs that will have employees that will be paid from said Title 1 federal awards.

Once the federal awards and employees are identified, they will be accounted for according to the federal requirements for compliance. The employee activity for time and effort logs will be maintained to support the federal award by the Deputy Treasurer. The Payroll Coordinator will pay the said employees per the federal award guidelines based upon approved time and effort logs towards the approved programs.

These employees paid from the various Title 1 federal awards will be supported by periodic certification of their time and effort logs by their supervisors.

Anticipated Completion Date: August 1, 2015



Bradley T. DeRome, Business Manager / Treasurer

Date _____ 6-1-2015

JAY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2013.

The enrollment count date for FY 2012-2013 was September 14, 2012. The difference between the count reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Actual Enrollment Figures</u>	<u>Over (Under) Difference</u>
2012-2013	K	138.00	138.5	(0.5)
2012-2013	1	261.00	260	<u>1.00</u>
Total Difference				<u><u>0.50</u></u>

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

HONORS AND CORE 40 WITH TECHNICAL DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates the number of Academic Honors diplomas reported to the state was incorrect for the school year ending June 30, 2014.

The difference between the count reported and the verified figures are shown below:

<u>School Year</u>	<u>Diploma</u>	<u>Count as Reported on Form DOE-GR</u>	<u>Actual Diplomas Awarded</u>	<u>Over (Under) Difference</u>
13-14	Honors	62	61	1

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

The Jay School Corporation

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Portland, Indiana 47371
Phone (260) 726-9341
Fax (260) 726-4959



Date: June 1, 2015
To: State Board of Accounts

Subject: Jay School Corporation Audit (July 1, 2012 to June 30, 2014)

RE: Official Audit Response

1) ADM-Average Daily Membership (Form 30 A)-Incorrect reporting by # 1/2

We acknowledge the ADM count as of Sept 14, 2012 was reported as incorrect by $\frac{1}{2}$ student. . The ADM count was off by $\frac{1}{2}$ student due to the over count of $\frac{1}{2}$ for a first grade student that was retained as a kindergarten student on the day of the ADM count due to a Special Education IEP plan conference that occurred on that day concerning that student in question. Thus, first grade was over counted by 1, and kindergarten was short by $\frac{1}{2}$. (Kindergarten students at that time were counted as $\frac{1}{2}$.)

This Special Education IEP conference meeting was done on behalf of the student on the ADM count day, and was not counted and or missed due to any purposeful action to over inflate the ADM count.

The procedures in the future on ADM student count days in September and February will now include a search to make sure that no transfers of students will occur on the count day, and if such IEP plan meetings are held on the count day, to make sure that any possible transfer of student between grades will be noted on the actual ADM reported count.

This resultant over count of $\frac{1}{2}$ student as of the Sept, 2012 count day, will be noted and forwarded to the Indiana DOE –Division of School Finance for payback provisions.

Continued

Date: June 1, 2015
To: State Board of Accounts

Subject: Jay School Corporation Audit (July 1, 2012 to June 30, 2014)
RE: Official Audit Response

PAGE 2

2) Honors and Core 40 with Technical Diploma-Incorrect Reporting by # 1

We acknowledge the number of Academic Honors diplomas as reported to the State of Indiana was incorrect by # 1 for the school year ended June 30, 2014. The Academic Honors diploma was reported as # 62 students, when in actuality only # 61 students had met the requirements for Academic Honors diploma 4 months after commencement. Thus, we have over reported by # 1 student in this category.

This over reporting of # 1 student was not due to any purposeful action to overinflate the Academic Honors Diploma count.

The procedures in the future on reporting to the State Of Indiana for Academic Honors Diploma will include a complete review after commencement to assure that all reported students in this category have met the requirements for Academic Honors.

This resultant over count of 1 student as of the school year ended June 30, 2014 for the Academic Honors diploma will be noted and forwarded to the Indiana DOE – Division of School Finance for payback provisions.


Business Manager/Treasurer


Superintendent

JAY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 1, 2015, with Bradley T. DeRome, Treasurer; Dr. Timothy D. Long, Superintendent of Schools; Michael A. Masters, President of the School Board; and Violet D. Current, Deputy Treasurer.