

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION

RIPLEY COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
12/10/2015



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynaya Hess Trina Huff	07-01-12 to 06-30-14 07-01-14 to 06-30-16
Superintendent of Schools	Dr. Leanna Phillippe William Narwold Timothy W. Taylor	07-01-12 to 06-16-14 06-17-14 to 01-01-15 01-01-15 to 06-30-16
President of the School Board	Deanna Young Kathleen Dickman William Travis Neal	07-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15



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TO: THE OFFICIALS OF THE JAC-CEN-DEL COMMUNITY  
SCHOOL CORPORATION, RIPLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Jac-Cen-Del Community 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/](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 incorporated within this report, was not verified for accuracy.

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

August 13, 2015

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - SEGREGATION OF DUTIES OVER FINANCIAL TRANSACTIONS AND REPORTING AND PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation has not separated incompatible activities related to receipting. The Treasurer prepares the receipts and the deposit. The receipts are then reviewed by the Deputy Treasurer; however, there is no documentation of this review. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.
2. 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 Treasurer prepared the SEFA; however, there was no review before this schedule was submitted.

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 control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: (a) total federal expenditures were incorrectly reported; and (b) expenditures and information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted for some grant awards. Audit adjustments were proposed, accepted by the School Corporation, and made to the 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:

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2014-002 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 69-6900  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the following compliance requirements: Allowable Costs/Cost Principles. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Allowable Costs/Cost Principles*

For the fiscal years 2013 and 2014, there was no review of payroll to verify that all employees paid from the School Lunch fund were in fact school lunch employees.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 internal controls could enable material noncompliance to go undetected. Noncompliance of the compliance requirements could result 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 compliance requirements listed above.

***FINDING 2014-003 - CASH MANAGEMENT, PERIOD OF AVAILABILITY, AND REPORTING***

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14212-052-PN01, 14213-052-PN01,  
14214-052-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Period of Availability, and Reporting. The failure to establish an effective internal control system places 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

*Cash Management, Period of Availability, and Reporting*

There is no control to ensure that the Requests for Reimbursement submitted to the Ripley-Ohio-Dearborn Special Education Cooperative were accurate, that money is only being requested for expenses which have already been paid by the School Corporation, and that grant funds are not being spent after the period of availability has passed.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

JAC-CEN-DEL COMMUNITY 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."

The failure to establish internal controls could enable material noncompliance to go undetected. Non-compliance of the grant agreement or the compliance requirements could result 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 requirements listed above.

***FINDING 2014-004 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 69-6900  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the Cash Management compliance requirements that have a direct and material effect on the programs. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

There were no procedures established to ensure that the School Lunch fund cash balances were maintained in compliance with the Cash Management requirements. The failure to establish an effective internal control system allowed noncompliance with the requirements.

The School Corporation Food Service Department maintains a cash balance in excess of federal regulations. The average three month expenditures of the School Corporation for the school lunch program for fiscal year 2013 and fiscal year 2014, were \$133,755 and \$163,976, respectively. The month-end cash balances from the two year audit period ranged from \$208,836 to \$329,417. This compliance requirement was not monitored by the School Lunch Director or by any other employee of the School Corporation.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR section 210.14(a) states in part:

"School food authorities shall maintain a nonprofit school food service . . ."

7 CFR section 210.14(b) states:

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

7 CFR section 210.2 defines net cash resources as:

"*Net cash resources* means all monies, as determined in accordance with the State agency's established accounting system, that are available to or have accrued to a school food authority's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities."

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 cash balance maintained by the School Corporation resulted in noncompliance with program requirements that they must operate a nonprofit school food service and limit net cash resource. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future federal reimbursements.

We recommended that School Corporation officials implement procedures that would limit net cash resources to three months' average expenditures and to establish internal controls to ensure that its school food service program is operated as a nonprofit service.

***FINDING 2014-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 69-6900  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Equipment and Real Property Management compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required equipment procedures were applied to all applicable food service assets. There was no equipment ledger for assets that were purchased with the federal grant funds.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

7 CFR 3016.32(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

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 internal controls has enabled material noncompliance to go undetected. Non-compliance of the compliance requirements could result 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 Equipment compliance requirement. We also recommended that the School Corporation's management create and maintain an equipment ledger of Cafeteria Capital Assets purchased with federal funds.

***FINDING 2014-006 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 69-6900  
Pass-Through Entity: Indiana Department of Education

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related the Procurement and Suspension and Debarment compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required Procurement, or Suspension and Debarment procedures were applied to all applicable purchases. The School Corporation did not obtain three written quotes from vendors for milk/dairy products in fiscal year 2013 and fiscal year 2014. In addition, there was no evidence that officials verified that bread and milk/dairy vendors were not suspended or debarred.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 3016.35 states in part:

"Grantees and sub-grantees must not make any award or permit any award (sub-grant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, Debarment and Suspension."

7 CFR 3016.36 states in part:

"(b) *Procurement standards:*

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

The failure to establish internal controls has 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.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

We recommended that the School Corporation's officials establish and implement effective internal controls over and comply with Procurement and Suspension and Debarment requirements of the programs.

***FINDING 2014-007 - REPORTING***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 69-6900  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Reporting compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

There were multiple months during the audit period where the number of meals for which the School Corporation requested reimbursement did not match the number of meals served shown in the School Corporation eTriton lunch software. Five monthly reimbursement requested were tested, and of those five there were three instances of incorrect reporting. The November 2012, February 2013, and May 2013 reimbursement requests all showed a number of meals served which was not reflected by the reports generated by the School Corporation's eTriton lunch software.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

7 CFR 210.7(c)(1) states that school food authorities shall:

"(iii) Base Claims for Reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children;

(iv) Correctly record, consolidate and report those lunch and supplement counts on the Claim for Reimbursement; and

(v) Ensure that Claims for Reimbursement do not request payment for any excess lunches produced, as prohibited in §210.10(a)(2), or non-Program lunches (i.e., a la carte or adult lunches) or for more than one meal supplement per child per day."

JAC-CEN-DEL COMMUNITY 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."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, and comply with the compliance requirements listed above.

***FINDING 2014-008 - ELIGIBILITY***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 69-6900  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Eligibility compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

For the audit period, there is no evidence available to indicate that parents who submitted Free and Reduced Price Meal Applications were informed of the status of their children, be it free, reduced, or paid. One procedure the School Corporation used was for parents to bring an application to the school and they are then informed of their student's status verbally. However, there is no evidence available for audit to indicate that they were informed either verbally or through the use of a letter. For parents who send in an application, a letter is mailed out to inform them of their student's status. School Corporation officials have also not retained any documentation to indicate that they have provided all parents with information detailing the eligibility criteria to be used. There is a lack of controls currently in place to ensure that parents are informed of the eligibility criteria, as well as their student's eligibility status, and that documentation is kept to indicate such.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 245.6(c)(6) states:

*Notice of approval—(i) Income applications.*

"The local educational agency must promptly notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled."

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced price meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: *Provided however*, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of *Schools*), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of each school year or, if notice of approval is given thereafter, within 10 days after the notice is received. The public announcement of such criteria, as a minimum, shall include the following:

- (1) Except as provided in § 245.6(b), a letter or notice and application distributed on or about the beginning of each school year, to the parents of all children in attendance at school. . . . "

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 internal controls has enabled noncompliance to go undetected. Non-compliance of the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation put internal controls and procedures in place to ensure compliance with Eligibility standards.

**FINDING 2014-009 - SPECIAL TESTS AND PROVISIONS**

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program  
CFDA Number: 10.553, 10.555  
Federal Award Number and Year (or Other Identifying Number): 69-6900  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the Special Tests and Provisions compliance requirements. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

For the audit period, there was no preparation of Paid Lunch Equity calculations made by the School Corporation. There is a lack of controls currently in place to ensure that Paid Lunch Equity calculations are performed, and that they are accurate. Since the end of the audit period, the Head Cook at the elementary school has begun preparing the Paid Lunch Equity calculation, but there are no controls in place to ensure the accuracy of the calculations.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

7 CFR 210.14(e) states in part:

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

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

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

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 internal controls enabled material noncompliance to go undetected. Non-compliance of the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation put internal controls and procedures in place to ensure compliance with Paid Lunch Equity requirements.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-010 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States

CFDA Number: 84.027

Federal Award Number and Year (or Other Identifying Number): 14212-052-PN01, 14213-052-PN01,  
14214-052-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements. The failure to establish an effective internal control system resulted in the School Corporation being in noncompliance with Allowable Costs/Cost Principles compliance requirements related to the program.

There is no control in place to ensure that only employees who worked with the Special Education program are paid with Special Education funds. In addition, any employee that worked solely with the Special Education program is required to support their salary and wages by a semiannual certification. All Special Education employees were listed on semiannual certifications, but for fiscal year 2014 the semiannual certifications were not signed by a supervisor with direct knowledge of the work performed by the employees as required.

An internal control system, including segregation of duties, should be designed and operate effectively 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. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-87, Attachment B, paragraph 8(h)(3) states:

"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."

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 internal controls enabled 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.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 complete the semiannual certifications for each employee paid solely from Special Education funds and have them signed by the appropriate designee.



**JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION**

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“Educating the Future”



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**CORRECTIVE ACTION PLAN**

August 8, 2015

**FINDING 2014-001**

Corrective action has already been put in place for receipts. The deputy treasurer reviews and signs off on all receipts and deposits before they are taken to the bank by the Treasurer.

Corrective action has already been put in place for the SEFA. The SEFA is reviewed by the Superintendent and signed off by both the superintendent and the treasurer. Some great advice was given to the treasurer on how to properly fill the SEFA out. Going forward it will be done properly.

**FINDING 2014-002**

Corrective action moving forward will be put into place to have the grant managers to review and sign off on all activities pertaining to their perspective grants. The treasurer and/or the superintendent will sign off on all reimbursement forms.

**FINDING 2014-003**

Corrective action moving forward will be put into place to have the grant managers to review and sign off on all activities pertaining to their perspective Grants. The treasurer and/or the superintendent will sign off on all reimbursement forms. Each payroll the distribution report will be printed for review and signed off by the treasurer and deputy treasurer.

**FINDING 2014-004**

Corrective action has already been put in place by communicating with cafeteria managers and advising them to put together a plan to help alleviate this matter. The central office staff is also discussing a plan to upgrade equipment for future projects.

**FINDING 2014-005**

Corrective action has already been put in place and the cafeteria managers are currently working on providing an inventory of all cafeteria assets. This inventory will be updated and maintained on a yearly basis.

**FINDING 2014-006**

Corrective action has already been put in place. This year the corporation obtained 3 bids on those areas necessary and also used the website to check for suspension and debarment of our vendors and all documentation has been kept.

FINDING 2014-007

Corrective action has already been put in place. Meal counts and dollar figures are checked on a monthly basis to insure that pricing and the proper number of meals served coincide with the number being requested for reimbursement as they should.

FINDING 2014-008

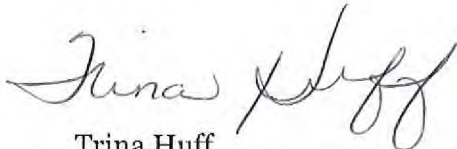
Corrective action has already been put in place. A copy of the letter provided to each parent sent notifying them of their Direct Certification is on file and each parent has signed off on the application indicating they were informed of their status. Those who apply throughout the year receive a copy of the notification letter, which will also be kept on file.

FINDING 2014-09

Corrective action has already been put in place. The PLE was filed by the treasure this year, reviewed and signed by the cafeteria manager at the High School.

FINDING 2014-010

The directors responsible for personnel working and being paid under their grant will be required to prepare and sign off on a Time and Effort log.



Trina Huff  
Corporation Treasurer



Timothy Taylor  
Superintendent

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**COLLECTIVE BARGAINING AGREEMENT**

The 2013-2014 Master Contract between Jac-Cen-Del Community School Corporation and the Jac-Cen-Del Educators Association contained items that are prohibited by Indiana Code 20-29-6-4.5. The items that are prohibited included unpaid leave policies not pertaining to federally mandated leave such as FMLA and reimbursements.

During the audit period, Indiana Code 20-29-6-4 stated:

"(a) A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.
- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11.

(b) Salary and wages include the amounts of pay increases available to employees under the salary scale adopted under IC 20-28-9-1.5, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

During the audit period, Indiana Code 20-29-6-4.5 stated:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

**COMPENSATION AND BENEFITS**

The School Corporation paid teachers an increment raise in August 2013. The School Board did not approve the Collective Bargaining Agreement until October 18, 2013. This caused the teachers to receive a raise prior to it being approved by the School Board.

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)

**CURRICULAR MATERIALS RENTAL FEES**

The School Corporation charged curricular materials rental fees that were set at 25 percent of the cost of each curricular material. They used this rate for the first six years that the curricular materials were in use. However, according to statute in effect during the audit period, a fee of 25 percent of the cost may only be used until the cost of the curricular material was recovered after four years. After four years, the maximum amount that should have been charged is 15 percent of the cost of the curricular material.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

"(a) 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.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

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

(c) This section does not limit other laws.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2015, with Trina Huff, Treasurer; Timothy W. Taylor, Superintendent of Schools; and Stephen S. Wilhoit, School Board member.