B45597

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DECATUR COUNTY COMMUNITY SCHOOLS

DECATUR COUNTY, INDIANA

July 1, 2012 to June 30, 2014

FILED
12/18/2015

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Louise S. Smith	01-01-12 to 12-31-15
Superintendent of Schools	Johnny D. Budd	07-01-12 to 06-30-18
President of the School Board	Annette Geis	01-01-12 to 12-31-12
	Timothy Roscoe	01-01-13 to 12-31-13
	Matthew J. Hoeing	01-01-14 to 12-31-15

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TO: THE OFFICIALS OF THE DECATUR COUNTY COMMUNITY SCHOOLS, DECATUR COUNTY, INDIANA

This report is supplemental to our audit report of the Decatur County Community Schools (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

July 27, 2015

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We noted the following deficiency in the internal control system of the School Corporation related to reporting. We believe the following deficiency constitutes a material weakness:

> Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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)

FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

> Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts, disbursements, and cash and investment balances. The Treasurer performs, or has access to perform incompatible activities related to receipts, disbursements, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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)

FINDING 2014-003 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program and National School Lunch Program
CFDA Number: 10.553 and 10.555
Federal Award Number and Year (or Other Identifying Number): FY 12-13 and FY 13-14
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 such as an oversight or approval process, related to the following compliance requirements that have a direct and material effect to the programs: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, and Program Income.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Upon examination of the payroll docket, it was noted the School Board approved payroll disbursements from the School Lunch fund in total only; the School Board did not review or approve the total paid to each employee. The School Board's approval of the total paid from the fund would not ensure that only employees performing school lunch activities were paid from the program. Upon examination of the extracurricular disbursements for School Lunch, it was noted that North Decatur Jr-Sr High School is using a purchase order form which contains only the Principal's signature. There is no control in place to ensure disbursements were for activities allowed and allowable costs of the program prior to payment.

Eligibility

Applications for free and reduced meals are reviewed and the status determined by one employee. There is no control in place to ensure that the eligibility determinations were correct.

Procurement and Suspension and Debarment

The School Corporation has not designed or implemented procedures to ensure compliance with Procurement and Suspension and Debarment requirements. There were no controls to ensure that bidders were not suspended or debarred or that suspension and debarment certifications were included in the bid specs or the contracts.

Program Income

The School Board approved meal prices; however, there is no control in place to ensure that the prices approved were being correctly charged by the individual schools.

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.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with 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."

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 compliance requirements listed above.

FINDING 2014-004 - INTERNAL CONTROLS OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 12-1655, 13-1655, and 14-1655
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 such as an oversight or approval process, related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Cash Management, Eligibility, Period of Availability of Federal Funds, and Reporting.

Activities Allowed or Unallowed

Upon examination of the payroll docket, it was noted the School Board approved payroll disbursements from Title I funds in total only; the School Board did not review or approve the total paid to each employee. The School Board's approval of the total paid from the funds would not ensure that only employees performing Title I activities were paid from the program.

Cash Management

Reimbursement requests are prepared and submitted by the Treasurer. There is no control in place to ensure that expenses are paid prior to requesting reimbursement.

Eligibility

The Data Manager/Food Service Director completes and submits information for the Real Time Reports. That information is used by the state in the determination of eligibility. There is no control in place to ensure the information is accurate prior to submission.

Period of Availability of Federal Funds

Period of availability of grant funds is monitored by the Treasurer. There is no control in place to ensure compliance with Period of Availability requirements.

Reporting

The Treasurer prepares and submits required reports. There is no control in place to ensure the reports are accurate prior to submission.

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.

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-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 with 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 2014-005 - REPORTING

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program and School Breakfast Program
CFDA Number: 10.555 and 10.553
Federal Award Number and Year (or Other Identifying Number): FY 12-13 and FY 13-14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system 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.

The Annual Financial Reports filed by the School Corporation for the fiscal years ending June 30, 2013, and June 30, 2014, did not properly report breakfast and lunch sales. A Prepaid Food clearing account is not in use by the School Corporation. Prepaid food receipts were included in sales figures reported. Breakfast and lunch sales figures reported were not based on actual sales for each type of meal, but were reported based on a set percentage determined by the School Corporation.

The School Corporation had deficiencies within its documentation supporting the Verification Summary Reports required to be filed each year. The documentation was not adequate to substantiate the accuracy and completeness of the reports.

1. Some of the applications verified were not presented for audit. Additional applications were verified by individual schools, and a listing of those applications was not presented for audit. We could not determine with certainty which applications were included in the Verification Summary Report.

2. The results reported on the Verification Summary Report could not be verified in four instances because the verification section of the application was not completed or a notification of results was not presented for audit.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

7 CFR 3016.20(b)(1) states: "*Financial reporting*. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

7 CFR 245.6a(h) states:

"*Verification reporting and recordkeeping requirements.* By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS."

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. Noncompliance of the compliance requirements that have a direct and material effect to the programs 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 Reporting requirements of the programs.

FINDING 2014-006 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program and School Breakfast Program
CFDA Number: 10.555 and 10.553
Federal Award Number and Year (or Other Identifying Number): FY 12-13 and FY 13-14
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the Special Tests and Provisions compliance requirements for: (1) Verification of Free and Reduced Price Applications, (2) School Food Accounts, and (3) Paid Lunch Equity. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements.

The School Corporation did not properly include all income when verifying the eligibility status on the required sample of approved free or reduced price applications. Of the 24 applications verified by the School Corporation in the audit period, we noted eight instances in which changes were not properly made to the applicant's eligibility status based on the income documentation provided. In six instances, only regular pay was included in the income calculation when verifying the eligibility status, while other income components such as commissions, tips, overtime, shift differential, Sunday differential, sick pay, vacation pay, holiday pay, bonus pay, etc., were excluded. In two instances, the income documentation submitted exceeded the income level for the benefit provided. As a result, some applicants' eligibility status was not properly changed. Of the eight instances noted, six applicants received free meals, which should have been reduced price; and two applicants received reduced price meals, which should have been full pay status.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis.

7 CFR section 245.6a(f)(7) states: "*Eligibility changes.* Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change . . ."

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."

Noncompliance of the compliance requirements that have a direct and material effect to the programs could result in the loss of federal funding to the School Corporation.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the Special Test and Provision requirements of the programs.

FINDING 2014-007 - 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): 12-1655, 13-1655, and 14-1655
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements. 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.

The School Corporation did not have a system in place to ensure compliance with the Circular A-87 regulations for time and effort reporting. None of the semi-annual certification activity reports for employees paid from Title I funds for the fiscal years 2012-2013 and 2013-2014 were presented for audit.

An internal control system 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.

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

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation . . .

(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 semiannually 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."

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 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 with Allowable Costs/Cost Principles to go undetected. Noncompliance with 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 the Allowable Costs/Cost Principles requirements of the program.

FINDING 2014-008 - SPECIAL TESTS AND PROVISIONS - SCHOOLWIDE PROGRAMS

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): 12-1655, 13-1655, and 14-1655
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation did not have an effective internal control system in place to ensure compliance with the grant agreement and the Special Tests and Provisions requirements for Schoolwide Programs. Documentation was not presented for audit to verify that the schools operating a schoolwide program included the following required core elements:

1. Comprehensive needs assessment

2. Comprehensive plan

3. Annual evaluation of the schoolwide program

An internal control system 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.

34 CFR 200.26 Core elements of a schoolwide program states:

"(a) *Comprehensive needs assessment.*

(1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that—

(i) Is based on academic achievement information about all students in the school, including all groups under §200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under §200.1 to—

(A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and

(B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and

(ii) Assesses the needs of the school relative to each of the components of the schoolwide program under §200.28.

(2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.

(3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.

(b) *Comprehensive plan.*

Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with §200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.

(c) *Evaluation.*

A school operating a schoolwide program must—

(1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;

(2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and

(3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program."

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 School Corporation did not have internal controls in place to reduce the risks of noncompliance with Special Tests and Provisions.

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program 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 Special Tests and Provisions requirements of the program.

FINDING 2014-009 - SPECIAL TESTS AND PROVISIONS - COMPARABILITY

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): 12-1655, 13-1655, and 14-1655
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation did not have an effective system of internal control in place to ensure compliance with the grant agreement and the Special Tests and Provisions requirements for Comparability. No documentation was presented for audit that the School Corporation prepared a Comparability Report, or filed a Comparability Report with the state for the years 2013 or 2014.

An internal control system 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.

Indiana Department of Education, Comparability of Services Handbook, page 2 states in part:

> "All Title I districts must submit to the office of Grants Management, Monitoring & Reporting the Comparability Report every other year. . . . The district is required to document compliance with the comparability requirement annually at the LEA level, and submit to the State every two years. . . . Title I districts must develop procedures for compliance with the comparability requirement and implement those procedures annually."

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 School Corporation did not have internal controls in place to reduce the risks of noncompliance with Special Tests and Provisions.

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect to the program 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 Special Tests and Provisions requirements of the program.

FINDING 2014-010 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program and School Breakfast Program
CFDA Number: 10.555 and 10.553
Federal Award Number and Year (or Other Identifying Number): FY 12-13 and FY 13-14
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. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirements.

The School Lunch fund balance for the School Corporation exceeded its three months average expenditures in 13 of the 24 months of the audit period. The three month average expenditure for FY 2013 was $353,333, but the fund balance excess ranged from $362,280 to $390,076. The three month average expenditure for FY 2014 was $322,004, but the fund balance excess ranged from $323,389 to $408,107.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with 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.

7 CFR 210.14(b) states in part: "*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 non-profit school food service . . . "

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 effective internal controls enabled material noncompliance to go undetected. Noncompliance with 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 Cash Management requirements of the programs.

ADMINISTRATION

JOHNNY BUDD
Superintendent

DR. MICHAEL LANGEVIN
Associate Superintendent

KATHY LAND
Secretary

LOUISE S. SMITH
Business Manager

SANDY PRATT
Deputy Treasurer

AMY HACKER
Bookkeeper

Decatur County Community Schools

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BOARD MEMBERS

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MATTHEW HOEING

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BRENT MUCKERHEIDE

CHRIS OWENS

TIM ROSCOE

MARK YOUNG

July 15, 2015

Indiana State Board of Accounts
302 W. Washington Street
Indianapolis, IN 46204-2765

CORRECTIVE ACTION PLAN FOR 2014 AUDIT COMMENTS

FINDING 2014-01, FINDING 2014-02

Contact Person: Louise Smith / Other Central Office Staff Members
Title: Business Manager
Phone #: 812-663-4595
Expected Completing Date: August 31, 2015

Procedures will be implemented to have another member of the Central Office staff review and sign off on the Schedule of Expenditures of Federal Awards (SEFA). In addition, responsibilities will be reassigned to ensure no one person has control over receipts, disbursements and cash and investment balances. A second person will review monthly reporting and document this approval. All documentation will be retained for review by the State Board of Accounts Auditors.

FINDING 2014-003

Contact Person: Louise Smith / Jennifer Niese
Title: Business Manager / Food Service Director
Phone #: 812-663-4595
Expected Completion Date: COMPLETE

With the addition of our Food Service Director, we have been able to implement the required internal controls and segregation of duties. We now have monthly activity reports prepared by each school bookkeeper, input and reviewed by the Food Service Director, with final approval signed off by the Business Manager. Other Food Service activity regarding Eligibility, Procurement and Suspension and Debarment and Program Income will be performed by the Food Service Director and approved by the Business Manager. All parties sign off on the appropriate forms.

FINDING 2014-004, FINDING 2014-007, FINDING 2014-008, FINDING 2014-009

Contact Persons: Louise Smith / Debbie Reynolds
Title: Business Manager / Director of Learning and Title I Director
Phone #: 812-663-4595
Expected Completion Date: September 30, 2015

Our newly appointed Director of Learning is also assigned the responsibilities of Title I Director. All activities regarding the Title I grant will be discussed and approved by both the Business Manager and the Title I director. These approvals will be documented accordingly. All required logs and reports will be completed by the Title I director, or her designee, as required, with appropriate approval documented. Necessary reviews will be presented to the Board of School Trustees for their approval. Documentation will be maintained for review by State Board of Accounts Auditors.

FINDING 2014-005, FINDING 2014-006

Contact Person: Louise Smith / Jennifer Niese
Title: Business Manager / Food Service Director
Phone #: 812-663-4595
Expected Completion Date: August 31, 2015

As the 2015-2016 school year starts, the Food Service Director and the Business Manager will meet with the bookkeepers of each school. Our student data system calculates a Prepaid Food account total. We will work with the bookkeepers to establish a prepaid food clearing account to more accurately record prepaid food balances and sales.

New procedures have been developed for the Verification process for those students qualifying for free and/or reduced meals. The Food Service Director will process all applications to determine eligibility with random reviews being done by the Business Manager for accuracy. The Food Director will generate the pool of applications for verification with a building administrator from each school reviewing, confirming, and signing to document this approval. The building bookkeeper will then perform the actual verification process, document and sign applications and return all original documentation to Central Office where it will be reviewed for completeness and maintained for review by the State Board of Account Auditors.

FINDING 2014-10

Contact Person: Louise Smith / Jennifer Niese
Title: Business Manager / Food Service Director
Phone #: 812-663-4595
Expected Completion Date: December 31, 2015

Decatur County Community Schools has routinely paid for repairs to the four (4) cafeterias, and any large equipment purchases, out of our Capital Projects Fund. Now that we have learned of the requirement to maintain only a three (3) month operating balance, we will pay for the repairs and equipment for cafeterias out of the School Lunch fund. The Business Manager and the Food Service Director will meet monthly to monitor the account balance to ensure compliance with the stated requirement.

If there are any questions, my contact information is listed below.

Sincerely,

Louise S Smith
Business Manager
812-663-4595, Ext. 5003
wsmith@decaturco.k12.in.us

Johnny Budd
Superintendent
812-663-4595, Ext 5001
jbudd@decaturco.k12.in.us

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement entered into on September 30, 2014, contained the following items prohibited by Indiana Code 20-29-6-4.5:

Unpaid Leave: Article III states in part: "After her available sick leave has been used, the teacher may be absent without pay . . ."

Reimbursements: Article IX states in part: "Any certified employee currently working for the corporation . . . reimbursement of . . . $100/credit hour . . . May be obtained after the employee successfully completes each course."

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."

SBOA will review school corporations' collective bargaining agreements during the audit process to determine whether the agreements contained prohibited subjects of bargaining. . . . Financial losses related to a corporation's inclusion of prohibited subjects may be the personal obligation of the responsible school official or employee. (The School Administrator and Uniform Compliance Guidelines Volume 198, June 2012)

CREDIT CARDS

The School Corporation was using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

1. The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.

2. Issuance and use should be handled by an official or employee designated by the board.

3. The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.

4. When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.

5. The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

7. Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.

8. If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BAD DEBTS AND UNCOLLECTIBLE ACCOUNTS

No written policy was presented for audit to establish procedures to address student lunch accounts with a small or negative balance.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ADMINISTRATION

JOHNNY BUDD
Superintendent

DEBBIE REYNOLDS
Director of Learning

KATHY LAND
Secretary

LOUISE S. SMITH
Bisiness Manager

KATHY WIGGINS
Deputy Treasurer

AMY HACKER
Bookkeeper

JENI NIESE
Data/Food Service

Decatur County Community Schools

TELEPHONE:(812) 663-4595
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2020 N. Montgomery Road
Greensburg, Indiana 47240

BOARD MEMBERS

LIZETTE BELL

ANNETTE GEIS

MATTHEW HOEING

TODD MAUER

BRENT MUCKERHEIDE

CHRIS OWENS

TIM ROSCOE

August 4, 2015

Indiana State Board of Accounts
302 W. Washington Street
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE FOR 2014 AUDIT COMMENTS

Collective Bargaining

We plan to remove Article III regarding unpaid leave, and Article IX regarding reimbursements through the negotiation process this fall. Estimated to be complete by October 1, 2015.

Credit Card Policy

The corporation will write and approve a policy on credit card use. This policy will address the issues according to the Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9. Estimated to be complete by December 31, 2015.

Bad Debt and Uncollectible Accounts

The Board of School Trustees will approve a written policy on the procedures to follow to write off bad debt, uncollectible accounts receivable or any adjustments to balances. Estimated to be complete by December 31, 2015.

We request that this response be included in the report by the State Board of Accounts. We would also like to thank the field examiners for the professional manner in which the audit was conducted.

Sincerely,

Louise S. Smith
Business Manager

Johnny D. Budd
Superintendent

DECATUR COUNTY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2015, with Louise S. Smith, Treasurer; Johnny D. Budd, Superintendent of Schools; Matthew J. Hoeing, President of the School Board; Deborah M. Reynolds, Director of Learning; and Jeni Niese, Data Manager/Food Service Director.