

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARSAW COMMUNITY SCHOOLS

KOSCIUSKO COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
02/18/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Erica M. Purvis	01-01-12 to 12-31-15
Superintendent of Schools	Dr. Craig J Hintz Dr. David A. Hoffert	01-01-12 to 06-30-14 07-01-14 to 06-30-17
President of the School Board	Jennifer K. Tandy	01-01-12 to 12-31-15



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TO: THE OFFICIALS OF THE WARSAW COMMUNITY SCHOOLS, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the Warsaw 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

November 18, 2015

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS

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

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected. For the school year ending June 30, 2014, the School Corporation Treasurer independently prepared the SEFA without oversight, review, or approval.

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. 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 Disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. We believe these deficiencies constitute material weaknesses.

1. Disbursements: The School Corporation has not properly implemented adequate policies and procedures to ensure that all payroll and vendor claims are approved by the School Board prior to payment. The School Board does sign a claim docket, however, it does not contain adequate detail indicating the time period covered by the claims or the beginning and ending check numbers approved for payment. Also, the School Corporation has not properly implemented adequate policies and procedures to separate incompatible activities related to purchases, receipt of goods and approval of accounts payable vouchers. The School Corporation had also not established adequate internal controls to monitor compliance with the requirements of the Public Purchase law as outlined in IC 5-22-8-3.
2. Monitoring of Controls: An evaluation of the School's Corporation system of internal control has not been conducted. The failure to monitor the internal control system places the School at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal control over financial reporting requires the School to monitor and assess the quality of the system of internal control.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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 - ALLOWABLE COSTS, ELIGIBILITY, REPORTING, SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Years: FY2013, FY2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system for their Food Service Program, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Allowable Costs, Eligibility, Reporting, and Special Tests and Provisions - Verification.

Allowable Costs

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are only expended for allowable costs for these programs. Controls over how payroll was processed and paid were insufficient. Our testing of payroll for Food Service employees noted instances where certain employees were approving their own time. There was no segregation of duties, such as an oversight, review, or approval process by someone knowledgeable about the employee's work hours.

Eligibility

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

Reporting

The School Corporation has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and submitted. There was no segregation of duties, such as an oversight, review, or approval process to ensure that all required reports were properly completed and submitted.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the requirements for the verification of free and reduced price applications are accurately determined. Currently, the verification is completed by the same employee who completed the initial application. There was no segregation of duties, such as an oversight, review, or approval process to review the verification process.

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

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

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

We recommended that 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 Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Years: FY2013, FY2014

Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Cash Management requirements related to this program were being followed. Currently, the Food Service Director is the only employee monitoring the cash balance of this program. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the Cash Management requirements of this program were being maintained.

The School Corporation was not in compliance with Cash Management requirements for the program. The three months average expenditures for the FY2013 and FY2014 school years were \$1,054,582 and \$994,134, respectively. During the FY2013 school year, there were excessive cash balances for five months, and for the FY2014 school year there were excessive cash balances for ten months. The Food Service Director was aware of the excessive balances and has been making efforts to reduce the balance; however, no formal plan is in place to ensure the reduction of the balance.

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."

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(b) states in part: "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 . . . "

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements. Additionally, we recommended that the School Corporation comply with the Cash Management requirements of the programs.

FINDING 2014-005 - EQUIPMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Years: FY2013, FY2014

Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Equipment requirements related to these programs were being followed. Currently, there are no controls in place to ensure all equipment is properly inventoried. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the Equipment requirements of these programs were being followed.

The School Corporation was not in compliance with the Equipment requirements of the programs. The School Corporation conducts a physical inventory every two years. The School Corporation provided records that showed a physical inventory took place on June 30, 2014, but there was no record of the new lunch equipment that was purchased. There were equipment purchases of \$111,276 during the FY2014 school year, but there were no new items listed on the June 30, 2014 inventory when compared to the June 30, 2012 inventory.

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."

34 CFR 80.32(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."

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements. Additionally, we recommended that the School Corporation comply with the Equipment requirements of the programs.

FINDING 2014-006 - ALLOWABLE COSTS - INDIRECT COSTS

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Years: FY2013, FY2014

Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are only expended for allowable costs of the programs. There were no controls over the calculation of indirect costs charged to the food service program's School Lunch fund. There was no segregation of duties, such as an oversight, review, or approval process to ensure that indirect costs are calculated and charged in accordance with Allowable Cost requirements.

The School Corporation was not in compliance with Indirect Costs requirements for the programs. The School Corporation did not properly record indirect costs. The School Corporation was applying the incorrect rate when calculating the indirect cost rates. During FY2014, the FY2013 rate was used; during FY2013, the FY2012 rate was used. Also, catering charges billed to the School Corporation from the Food Service Department were not recorded accurately. They were deducted from indirect costs rather than reported separately.

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

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

OMB Circular A-87, Attachment A, states in part:

"C. Basic Guidelines: . . . (c) Be authorized or not prohibited under state or local laws and regulations. . . . (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost."

OMB Circular A-87, Attachment A, states in part:

"F. **Indirect Costs** 1. General. Indirect costs are those: (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. The term 'indirect costs,' as used herein, applies to costs of this type originating in the grantee

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

department, as well as those incurred by other departments in supplying goods, services, and facilities. To facilitate equitable distribution of indirect expenses to the cost objectives served, it may be necessary to establish a number of pools of indirect costs within a governmental unit department or in other agencies providing services to a governmental unit department. Indirect cost pools should be distributed to benefitted cost objectives on bases that will produce an equitable result in consideration of relative benefits derived."

The failure to establish internal controls enabled 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. Additionally, we recommended that the School Corporation comply with the Allowable Costs requirements of the programs.

FINDING 2014-007 - MAINTENANCE OF EFFORT

Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027, 84.173
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system for their Special Education programs, which would include segregation of duties, related to the grant agreement and the Maintenance of Effort compliance requirement.

The School Corporation has not designed or implemented adequate policies and procedures to ensure compliance with Maintenance of Effort requirements. The Treasurer prepares the Maintenance of Effort report without documented review or approval. There was no segregation of duties, such as an oversight, review, or approval process to ensure that all required reports were properly completed and submitted.

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 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 Maintenance of Effort compliance requirement.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-008 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027, 84.173
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Cash Management and Reporting requirements are followed. The Treasurer prepares the Request for Reimbursement and submits it without any subsequent review. There was no segregation of duties, such as an oversight, review, or approval process to ensure that Requests for Reimbursement are in accordance with Cash Management and Reporting requirements.

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 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.

FINDING 2014-009 - ACTIVITIES ALLOWED, ALLOWABLE COSTS, ELIGIBILITY, SUSPENSION AND DEBARMENT, SPECIAL TESTS AND PROVISIONS - COMPARABILITY

Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system for their Title I program, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed, Allowable Costs, Eligibility, Suspension and Debarment, and Special Tests and Provisions - Comparability.

Activities Allowed, Allowable Costs

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are only expended for activities allowed and allowable costs for this program. Controls over how claims and payroll were processed and paid were insufficient. The Accounts Payable Voucher Register and Prior-To Claims Register which indicates the School Corporation Treasurer certified the claims and the Board of School Trustees reviewed and approved the claims did not include the dollar amount of the claims approved, nor was any supporting documentation provided with or attached to the registers. It could not be determined if all claims had been properly certified and approved by the Board of School Trustees. Also, Time and Effort

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Semi-Annual Certifications were signed at the beginning or middle of the six month period covered by the certifications. Additions or deletions of employees, or changes in the percentage of time to be charged to the Title I program, during the six month period would not be included on the certifications. One out of twelve employees tested was not included on the semi-annual certifications or the time and effort logs. Time and effort logs prepared by the employees were not always signed by the employees or by someone knowledgeable of the work performed by the employees. There was no segregation of duties, such as an oversight, review, or approval process to ensure that expenditures for Activities Allowed or Allowable Costs are in accordance with Activities Allowed or Allowable Costs requirements.

Eligibility

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are only expended for eligible students participating in this program. There was no written documentation that rankings of possible eligible students were reviewed for the four targeted assistance schools and the one school-wide program school. There was no segregation of duties, such as an oversight, review, or approval process to ensure that only eligible students are provided services in accordance with Eligibility requirements.

Suspension and Debarment

The School Corporation has not designed or implemented adequate policies and procedures to ensure that vendors providing goods and services under the grant award have not been suspended or debarred by the federal government. There was no written documentation to support that the School Corporation verified the Title I vendor was not suspended or debarred. No policies or procedures have been established to ensure the vendors are checked against the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) through their System for Award Management (SAM) website to verify they are not suspended or debarred. There was no segregation of duties, such as an oversight, review, or approval process to ensure that suspended or debarred parties are not providing services in accordance with Suspension and Debarment requirements.

Special Tests and Provision - Comparability

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are only expended for eligible students participating in this program. Currently, the handwritten copies of the comparability reports sent online to the Indiana Department of Education do not indicate review or approval of the submitted reports. There was no segregation of duties, such as an oversight, review, or approval process by anyone to ensure compliance with Special Tests and Provision - Comparability requirements.

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."

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

34 CFR 80.22 states in part:

"Allowable costs. **(a) Limitation on use of funds.** Grant funds may be used only for:

- (1) The allowable costs of the grantees, subgrantees and cost-type contractors, including allowable costs in the form of payments to fixed-price contractors; and
- (2) Reasonable fees or profit to cost-type contractors but not any fee or profit (or other increment above allowable costs) to the grantee or subgrantee.

(b) For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a State, local, or Indian tribal government, the Secretary applies the cost principles in OMB Circular A-87, as amended on June 9, 1987."

OMB Circular A-87, Attachment B, 8. h. states in part:

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

34 CFR 80.35 states:

"Subawards to debarred and suspended parties. Grantees and subgrantees must not make any award or permit any award (subgrant 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."

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

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

FINDING 2014-010 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Cash Management and Reporting requirements are followed. The Treasurer prepared the Requests for Reimbursement and the Title I Annual Expenditure Reports - FINAL for FY2013 and FY2014 and submitted them without any subsequent review. There was no segregation of duties, such as an oversight, review, or approval process to ensure that Requests for Reimbursement and Title I Annual Expenditure Reports - FINAL were in accordance with Cash Management and Reporting requirements.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation was not in compliance with Cash Management and Reporting requirements for the program. The supporting documentation attached to the Request for Reimbursement did not contain enough information to determine which claims were paid and if claims were paid prior to requesting reimbursement for said claims.

All five Requests for Reimbursement forms tested for Cash Management lacked adequate and proper supporting documentation, such as a detailed list of the checks/claims for which the reimbursement was requested. One of the five Requests for Reimbursement forms had amounts listed from an accounts payable distribution report. It could not be determined if all expenses for which reimbursement was requested were actually paid to the vendors prior to the date the reimbursement request was sent to the pass-through agency.

All four Request for Reimbursement forms tested for Reporting lacked adequate and proper supporting documentation, such as a detailed list of the checks/claims for which the reimbursement was requested.

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 Title I Fiscal Handbook, Obligation of Funds section on page 4 states in part: "An obligation is an actual cost owed due to purchase orders issued, contracts signed, or services rendered for which a district is required to make payment. Obligations are not anticipated or estimated costs."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements. Additionally, we recommended that the School Corporation comply with Cash Management and Reporting requirements of the program.

FINDING 2014 -011 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS

Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements are followed. There was no segregation of duties, such as an oversight, review, or approval process to ensure that all teachers and paraprofessionals of the program were highly qualified and were in compliance with Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation was not in compliance with Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements for the program. Of forty tested, there was no supporting documentation that five paraprofessionals and one teacher were highly qualified. Written policies and procedures should be in place to ensure that all teachers and paraprofessionals have supporting documentation to show they are highly qualified prior to their hire as Title I personnel.

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."

34 CFR 200.55 states in part:

"(b)(1) Not later than the end of the 2005-2006 school year, each State that receives funds under subpart A of this part, and each LEA in that State, must ensure that all public elementary and secondary school teachers in the State who teach core academic subjects, including teachers employed by an LEA to provide services to eligible private school students under § 200.62, are highly qualified as defined in § 200.56."

34 CFR 200.56 states in part:

"A teacher described in § 200.55(a) and (b)(1) is a 'highly qualified teacher' if the teacher meets the requirements in paragraph (a) and paragraph (b), (c), or (d) of this section.

(a) In general. (1) Except as provided in paragraph (a)(3) of this section, a teacher covered under § 200.55 must— (i) Have obtained full State certification as a teacher, which may include certification obtained through alternative routes to certification; or (ii)(A) Have passed the State teacher licensing examination; and (B) Hold a license to teach in the State. (2) A teacher meets the requirement in paragraph (a)(1) of this section if the teacher— (i) Has fulfilled the State's certification and licensure requirements applicable to the years of experience the teacher possesses; or (ii) Is participating in an alternative route to certification program under which— (A) The teacher— (1) Receives high-quality professional development that is sustained, intensive, and classroom-focused in order to have a positive and lasting impact on classroom instruction, before and while teaching; (2) Participates in a program of intensive supervision that consists of structured guidance and regular ongoing support for teachers or a teacher mentoring program; (3) Assumes functions as a teacher only for a specified period of time not to exceed three years; and (4) Demonstrates satisfactory progress toward full certification as prescribed by the State; and (B) The State ensures, through its certification and licensure process, that the provisions in paragraph (a)(2)(ii) of this section are met."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements. Additionally, we recommended that the School Corporation comply with Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals requirements of the program.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

***FINDING 2014-012 - SPECIAL TESTS AND PROVISIONS - ANNUAL REPORT CARD,
HIGH SCHOOL GRADUATION RATE***

Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements are followed. There was no segregation of duties, such as an oversight, review, or approval process to ensure that all required documentation was retained and available for audit so that we could verify compliance with Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements.

The School Corporation was not in compliance with Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements for the program. The withdrawal forms for sixteen of forty students tested were not available for audit. The students' files were already purged and ready for the permanent filming process. It could not be determined if the School Corporation complied with the guidelines for Special Tests and Provisions - Annual Report Card, High School Graduation Rate. Written policies and procedures should be in place to ensure that all required documentation related to the program is maintained until after audit.

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."

34 CFR 80.42 states in part:

"The awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements. Additionally, we recommended that the School Corporation comply with Special Tests and Provisions - Annual Report Card, High School Graduation Rate requirements of the program.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-013 - ALLOWABLE COSTS

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Allowable Costs requirements are followed. There were no controls to verify that proper documentation of program costs was being completed and retained. There is also a lack of controls over how payroll is processed and paid through the Improving Teacher Quality Grant (Title II, Part A). There was no segregation of duties, such as an oversight, review, or approval process to ensure that program requirements were being followed.

The School Corporation was not in compliance with Allowable Costs requirements for the program. The School Corporation uses Conference Request forms that state what conference the employee will be attending as well as if a substitute is needed. This is the form the Title II Director approves. Four out of five sampled payrolls that contained employees paid out of Title II, Part A funds contained at least one employee where no record of a conference request form was present and there were no additional records showing approval for the substitute. Written policies and procedures should be in place to ensure that all required documentation related to the program is completed and maintained until after audit.

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

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

OMB Circular A-87, Attachment A, states in part:

"C. Basic Guidelines: 1. To be allowable under Federal awards, costs must meet the following general criteria: (a) Be allocable to Federal awards under the provisions of this Circular. . . . (c) Be authorized or not prohibited under state or local laws and regulations. . . . (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. . . . (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost. . . . (j) Be adequately documented."

OMB Circular A-87, Attachment A, states in part: "E. Direct Costs: (2) . . . Typical direct costs chargeable to Federal awards are: (a) Compensation of employees for the time devoted and identified specifically to the performance of those awards."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements. Additionally, we recommended that the School Corporation comply with Allowable Costs requirements of the program.

WARSAW COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-014 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Cash Management and Reporting requirements are followed. The Treasurer prepares the Request for Reimbursement and submits it without review. There was no segregation of duties, such as an oversight, review, or approval process to ensure that Requests for Reimbursement are in accordance with Cash Management and Reporting requirements.

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 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.

FINDING 2014-015 - PERIOD OF AVAILABILITY

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Years: FY2013, FY2014
Pass-Through Entity: Indiana Department of Education

The School Corporation has not designed or implemented adequate policies and procedures to ensure that Period of Availability requirements are followed. Controls over when claims could be charged to the program were insufficient. Our review of program claims revealed claims paid outside of the period of availability. There was no segregation of duties, such as an oversight, review, or approval process to ensure that program claims were within the Period of Availability requirements.

The School Corporation was not in compliance with Period of Availability requirements for the program. The School Corporation charged claims to the federal program subsequent to the period of availability. Five of eleven claims reviewed paid for transactions that occurred outside the period of availability.

WARSAW COMMUNITY SCHOOLS
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."

34 CFR 80.23 states:

"(a) General. Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

(b) Liquidation of obligations. A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee."

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

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements. Additionally, we recommend that the School Corporation comply with the Period of Availability requirements of the program.



CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Erica Purvis
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- During the audit period the Corporation Treasurer prepared the SEFA, reviewed with the Chief Financial Officer (although the review did not include a second signature), and submitted. To address the finding the preparation was reassigned to the Deputy Treasurer. The Corporation Treasurer will review and sign off.

Anticipated Completion Date: August 2015

FINDING 2014-002

Contact Person Responsible for Corrective Action: Erica Purvis
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- To address disbursement controls WCS has added the claim dollar amount totals to the monthly Board signature page that ties Board approval to the claim detail. In addition we now ensure that there are two signatures on all Accounts Payable vouchers. Reconciliation is reviewed monthly by a third person (the Chief Financial Officer).
- In terms of monitoring, WCS is currently considering engaging an outside entity to provide a compliance framework that can be utilized by our current staff on an ongoing basis. The goal is to ensure compliance through appropriate monitoring of internal controls.

Anticipated Completion Date: March 2016

FINDING 2014-003

Contact Person Responsible for Corrective Action: Marci Franks
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- To improve payroll controls in the Food Service group the Assistant Director now enters all payroll data into the payroll software. The Food Service Director reviews and approves payroll. This function was formerly done by the respective building principal. The change to the Director provides improved knowledge in terms of appropriate payroll hours reporting.
- Eligibility of students for free and reduced lunch is determined post audit by a two-step process. The Food Services administrative assistant enters application information. It is then reviewed and signed off by second member of the Food Services office staff.

- Reporting such as edit checks are now submitted by cafeteria managers to the Food Service office and are in turn reviewed and verified by the administrative assistant prior to submission for reimbursement. The submission is reviewed by a second office staff member. Final review and approval is then completed by the Director of Food Services.
- Special tests and provisions in terms of eligibility verification have been addressed in the same manner as described above regarding eligibility.

Anticipated Completion Date: July 2015

FINDING 2014-004

Contact Person Responsible for Corrective Action: Marci Franks

Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- The Food Services Director delivered an improvement plan to the State Board of Accounts which in turn allowed WCS to freeze student lunch prices and meet the Paid Lunch Equity federal guideline. This plan includes updating equipment at various buildings and updating the cafeteria/dining area at Lakeview Middle School. The cash balance is monitored monthly by the Director, the Corporation Treasurer and the Chief Financial Officer.

Anticipated Completion Date: September 2015

FINDING 2014-005

Contact Person Responsible for Corrective Action: Marci Franks

Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- To address tracking of equipment purchases and disposals Food Services is retaining purchase orders and invoice copies of all items above \$300 in value. This tracking includes funding source. Disposals are also monitored in the same fashion. The WCS capitalization threshold is \$5,000.

Anticipated Completion Date: July 2015

FINDING 2014-006

Contact Person Responsible for Corrective Action: Marci Franks

Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- Generation of the Indirect Cost Report by Food Services is now being performed by the Assistant Director and reviewed by the Director. Both employees sign off and send a hard copy of the monthly report to the Corporation Treasurer.
- In 2015 WCS will correct the rate year used and will square up transfer totals beginning July 1, 2015.
- Catering costs are now invoiced directly to WCS rather than being deducted from the monthly indirect cost calculation.

Anticipated Completion Date: October 2015

FINDING 2014-007

Contact Person Responsible for Corrective Action: Erica Purvis
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- Beginning with the MOE report for the 2014-2015 school year the Corporation Treasurer and Deputy Treasurer collaborated to complete the report. The Corporation Treasurer signed the report and forwarded to the Chief Financial Officer for review and signature approval.

Anticipated Completion Date: July 2015

FINDING 2014-008

Contact Person Responsible for Corrective Action: Erica Purvis
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- While we believe we were fully compliant in terms of documentation on requests for reimbursements, we have added a report to the process that includes all detail items requested by the SBOA. In order to gain an additional control point the Deputy Treasurer now prepares reimbursement requests and the Corporation Treasurer is in turn reviewing and approving prior to submission.

Anticipated Completion Date: August 2015

FINDING 2014-009

Contact Person Responsible for Corrective Action: Wendy Long
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- To address disbursement controls WCS has added the claim dollar amount totals to the monthly Board signature page that ties Board approval to the claim detail. In addition we now ensure that there are two signatures on all Accounts Payable vouchers. Reconciliation is reviewed monthly by a third person (the Chief Financial Officer).
- Time and Effort Semi-Annual Certifications will include the appropriate employees and any changes will be reflected as necessary. Time and effort tracking will be signed by both the employee and the immediate supervisor.
- School eligibility is driven by free and reduced counts and percentages building by building. Food Services provide this documentation which is reviewed by the Title I administrator.
- For purchases over the WCS capitalization threshold the administrative assistant to the Title I administrator will search the Excluded Parties List system (now the System for Award Management, or SAM) to ensure that vendors we contemplate doing business with are not suspended or debarred.
- Comparability reports will be prepared and signed by the Title I Compliance Monitor. The Title I Director will review and provide signature approval.

Anticipated Completion Date: August 2015

FINDING 2014-010

Contact Person Responsible for Corrective Action: Erica Purvis
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- While we believe we were fully compliant in terms of documentation on requests for reimbursements regarding Title I, we have added a report to the process that includes all detail items requested by the SBOA. In addition, the Deputy Treasurer is now preparing the requests online, prints a hard copy, signs and presents to the Corporation Treasurer. The Corporation Treasurer then reviews, signs the file copy and submits online.
- The Title I annual expenditure report is also now prepared by the Deputy Treasurer. The Corporation Treasurer reviews, provides the second sign off and submits the report online.

Anticipated Completion Date: August 2015

FINDING 2014-011

Contact Person Responsible for Corrective Action: Wendy Long
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- The WCS Human Resources Department currently implements adequate policies and procedures to ensure the Special Tests and Provisions for Highly Qualified Teachers and Paraprofessional requirements are followed. The HR Department is now current on supporting documentation for all teachers and paraprofessionals to show they are qualified prior to their hire as Title I program employees.

Anticipated Completion Date: September 2015

FINDING 2014-012

Contact Person Responsible for Corrective Action: Wendy Long
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- WCS will establish internal controls to comply with Special Tests and Provisions which include the Annual Report Card and High School Graduation Rate requirements of the program. A written procedure will ensure that all required documentation is maintained according to established procedures. The Coordinator of the High School Counseling Department and the High School Registrar will ensure that all documentation (to include documents required for cohort tracking) is maintained to comply with this requirement.

Anticipated Completion Date: December 2015

FINDING 2014-013

Contact Person Responsible for Corrective Action: David Robertson
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- The administrative assistant to the Chief Academic Officer will review conference request forms weekly for accuracy and completeness, and then approve. The payroll associate then reviews, corrects as necessary, approves, inputs into the payroll system, and provides hard copies to the payroll coordinator.

Anticipated Completion Date: November 2015

FINDING 2014-014

Contact Person Responsible for Corrective Action: Erica Purvis
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- While we believe we were fully compliant in terms of documentation on requests for reimbursements for Title II, we have added a report to the process that includes all detail items requested by the SBOA. In addition, the Deputy Treasurer is now preparing the reimbursement requests and the Corporation Treasurer is then reviewing and approving prior to submission.

Anticipated Completion Date: August 2015

FINDING 2014-015

Contact Person Responsible for Corrective Action: David Robertson
Contact Phone Number: 574-371-5098

Description of Corrective Action Plan:

- Based on discussion with the SBOA we have aligned our expenditure pattern to comply with all grant guidelines.

Anticipated Completion Date: August 2015



(Signature)

Chief Financial Officer

(Title)

Nov. 12 2015

(Date)

WARSAW COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

COLLECTIVE BARGAINING AGREEMENT

Upon our review of the 2014-2015 Collective Bargaining Agreement on page 21, it included information on performance awards and stipends that could be awarded to the teachers. The stipend amount is based on evaluations received and is only paid out to those who received a rating of Effective or Highly Effective teachers.

Indiana Code 20-29-6-4.7 states in part: "that bargaining on teacher evaluation procedures and criteria is prohibited; duration of contract Sec. 4.7. (a) A school employer may not bargain collectively with the exclusive representative on teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

OFFICIAL BOND

The School Board did not set or approve the established bond amounts. The bond amounts were determined after School Officials consulted with insurance representatives. The Deputy Treasurer did not obtain an individual surety bond for 11-27-12 to 01-01-14. Also, the corporation used continuation bonds rather than a new bond issue every year.

The treasurer of the School Corporation, and the deputy treasurer if one is appointed, for each school year commencing July 1, shall each give a bond for the faithful performance of duty, written by an insurance company licensed to do business in the State of Indiana, in an amount determined by the governing body. The treasurer shall be responsible under the treasurer's bond for the acts of any deputy treasurer appointed as provided in IC 20-26-4-5. All bonds must be made payable to the State of Indiana, IC 5-4-1-10; and approved by the governing body of the school corporation. The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder. No charge is made for recording official bonds, IC 36-2-7-10.

Whenever deemed necessary to bond any other employee of a school corporation, the governing body may bond or cause to be bonded such employee or employees by either individual or blanket bonds conditioned upon faithful performance of duties, and in amounts and with surety approved by the school board. We recommend bond coverage for any employee handling funds. A blanket bond should not include any officer, deputy or employee for whom an individual bond is required by statute. Individual bonds are required for the school corporation treasurer and the deputy treasurer.

The State Board of Accounts is of the audit position a new bond should be obtained each year and continuation certificates should not be used in lieu of obtaining a new bond. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporation, Chapter 8)

CREDIT CARDS

The School Corporation had an approved credit card policy in place. Upon a review of credit card claims during our audit period it was noted that all five of the credit card claims in the test did not follow the approved policy. There were instances where detailed receipts were not provided for meal tickets, hotel stays, or conference registrations. There were also instances where the credit card authorization form was not used as well as instances where no invoices were attached to the purchase order or credit card authorization form.

WARSAW COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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.

All claims, invoices, receipts, and accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRAVEL POLICY

The School Corporation had an approved travel policy in place but did not always follow the established policy. Upon a review of travel claims during our audit period, it was noted that seven of the ten travel claims in the test did not follow the approved policy. Errors noted included: conference request forms not attached or did not include additional paid charges, meals were paid before conferences started or after they ended with no attached agenda, paid meals without a detailed receipt, no odometer readings, and double payment of hotel charges.

WARSAW COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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

The information presented for audit indicated Academic Honor figures on Form No. DOE-GR were incorrect for the school year ending June 30, 2013. The school reported 173 students earning academic honors for the 2012-2013 school year, and records presented showed a total of 175 students earned academic honors.

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

PAYROLL DISBURSEMENTS

All employees who were eligible for group health insurance coverage and waived the coverage receive \$2,000 at the end of the school year. This provision was only included in the teacher master contract. The officials could not provide a written policy or other documentation authorizing these payments to administrative and noncertified personnel.

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 13)

OVERDRAWN FUND BALANCE

The following funds were overdrawn at fiscal year-end, June 30, 2014.

Funds	Amount Overdrawn	
	06-30-13	06-30-14
Textbook Rental	\$ 323,178	\$ 491,922
WCS Joint Venture	4,609	594
Extra-Curricular Activities	3,937	5,462

WARSAW COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 9)

ADDITIONAL SPECIAL INVESTIGATION REPORT

Details related to an Indiana State Board of Accounts special investigation were released in Special Investigation Report B45250 on July 21, 2015. This report is available on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa.in.gov> .

WARSAW COMMUNITY SCHOOLS

Official's Response Audit period July 1, 2012 to June 30, 2014

The exit conference for WCS was held November 18, 2015 to discuss audit comment items for the audit period of July 1, 2012 to June 30, 2014. Attendees included Superintendent Dr. David Hoffert, Board of Trustees President Jennifer Tandy, Chief Financial Officer Kevin Scott, Corporation Treasurer Erica Purvis, Andy Williams and Sandy Gerlach with the State Board of Accounts (SBOA).

In this audit cycle a number of items were included in the audit results and comments. Two items, Credit Cards and Travel Policy, related to lack of required documentation or adherence to policy and statute. WCS is moving to a purchasing card program which includes procedures that address providing appropriate documentation. Also mentioned was the need for the Board of Trustees to approve the Officials Bond amounts. We have added that action to the January organizational meeting resolution.

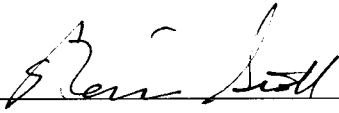
In terms of payroll disbursements, the audit comment relates to making insurance waiver payment to the administrative and non-certified staff members in the same manner as stipulated by the master contract for teachers. WCS will add appropriate language to the respective Board approved handbooks for all non-teaching groups.

Overdrawn fund balance related to five different funds. We implemented corrective action over the past year to address the Textbook Fund resulting in a positive cash balance of \$144,266 on June 30, 2015. Alternative Ed and the WCS Joint Venture had negative balances driven by timing of when we transfer funds. We will adjust our timing to ensure a positive balance at fiscal year-end. Kindergarten Countdown is a grant that will be negative until funding reaches us in the fall. The ECA account relates to school employees who work at extra-curricular events. We pay them through payroll and have the Athletic Department reimburse Warsaw Community Schools, leaving a negative balance at any point in time but the amount is not material. We respectfully will continue this procedure as it currently exists.

For the first time in a number of audit cycles there are Federal Audit findings which in general terms focus on controls that were not communicated to us by the SBOA as expectations prior to commencement of the audit for the period ending June 30, 2014. Many findings are repetitive as the audit centered on Title I, Title II, Special Education and the Federal Food Service programs. Failure to have a control in place caused a compliance finding as well for items that were not at issue on the prior clean audit received by Warsaw Community Schools.

Please note that all findings have been addressed in the corrective action plan and all described actions have been instituted.

The bi-annual State Board of Accounts audit provides an opportunity for Warsaw Community Schools to review current practices and procedures and make improvements based on recommendations from the State Board of Accounts. We again have benefited from this process. Warsaw Community Schools accepts the findings of the audit and are generally satisfied that improvements have been made as a result. We will remain vigilant in seeking opportunities to better our procedures and internal controls as we conduct our daily activities.



Kevin Scott, Chief Financial Officer

Nov. 12, 2015

Date

WARSAW COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2015, with Jennifer K. Tandy, President of the School Board; Dr. David A. Hoffert, Superintendent of Schools; Kevin E. Scott, Chief Financial Officer and Erica M. Purvis, Treasurer.