

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
LEBANON COMMUNITY SCHOOL CORPORATION
BOONE COUNTY, INDIANA
July 1, 2012 to June 30, 2014



FILED
03/02/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Moore	07-01-12 to 06-30-16
Business Manager	Charles L. Tait	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Robert L. Taylor	07-01-12 to 06-30-16
President of the School Board	M. Michelle Thomas David Herr Thomas Merritt Michael Burtron	07-01-10 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE LEBANON COMMUNITY SCHOOL
CORPORATION, BOONE COUNTY, INDIANA

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

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

January 28, 2016

LEBANON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - 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. The School Corporation has no control in place to ensure that the SEFA prepared by the Business Manager was accurate.

During the audit of the SEFA, we noted that a state grant was included in error and that two federal awards were omitted, including the programs in the Child Nutrition Cluster. These errors resulted in the SEFA presented for audit being understated by \$2,037,791. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

LEBANON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
..."

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

We noted a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation has not separated incompatible activities related to receipts. The controls that had been designed and implemented by the School Corporation for processing, recording, and reporting receipts did not provide evidence of a review or approval process to ensure that material misstatements will be prevented, or detected and corrected, in a timely manner.

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)



Administration Center – Office of the Superintendent

1810 North Grant Street
LEBANON, INDIANA 46052

Phone: (765) 482-0380

Fax: (765) 483-3053

CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: CHARLES TAIT
Contact Phone Number: 765-482-0380

Description of Corrective Action Plan:

Asst. Supt. Failed to include the Food Service Program in the report.
That has since been corrected.

Asst. Supt. For the initial filing of this report requests "expenditures." I understood that to be the expended dollar amount.
Explanation from the audit indicates that in reality it is the "receipted/reimbursed" dollar amount for the grant at that time.

The report has been corrected and will be entered accordingly in the future.

Anticipated Completion Date: ALREADY CORRECTED

Charles Tait

(Signature)

ASST-Supt

(Title)

4-1-15

(Date)

Charles L. Tait
Business/Assistant Superintendent

Bob J. Ross
Director of Resource and Operation

Robert L. Taylor
Superintendent

Kari K. Ottinger
Director of Assessment

Diane Lee Scott
Director of Instruction

Chad A. Martin
Director of Technology



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CORRECTIVE ACTION PLAN

FINDING 2014-002 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: CHARLES TAIT
Contact Phone Number: 765-482-0380

Description of Corrective Action Plan:

Current practice is that the Corporation Treasurer prepares the receipts and the accounts payable/receivable staff member enters them. Thus, two people are ultimately responsible for the accuracy. This is our internal control procedure.

The receipts are also cross referenced with the bank statements and the receipts from the bank.

Anticipated Completion Date: The accounts payable/receivable staff member will begin to initial the receipts prepared by the treasurer as she enters the receipts to our software financial. Implementation will begin immediately 4/1/2015.

Charles Tait
(Signature)

Asst. Supt.
(Title)

4-1-2015
(Date)

Charles L. Tait
Business/Assistant Superintendent

Bob J. Ross
Director of Resource and Operation

Robert L. Taylor
Superintendent

Kari K. Ottinger
Director of Assessment

Diane Lee Scott
Director of Instruction

Chad A. Martin
Director of Technology

LEBANON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the Average Daily Membership claimed was accurate.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OVERDRAWN CASH BALANCES

The financial statement presented for the School Corporation included funds with overdrawn cash balances at June 30, 2013 and 2014, as follows:

Fund	2013 Amount Overdrawn	2014 Amount Overdrawn
School Bus Replacement	\$ 108,102	\$ 75,571
Textbook Rental	179,590	-
Building Trades	208,533	95,427
Go Build Indiana	-	75

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 Indiana Public School Corporations, Chapter 9)

COLLECTIVE BARGAINING AGREEMENT

The collective bargaining agreement entered in to on September 25, 2013, contained clauses regarding the following items that are prohibited by Indiana Code 20-29-6-4.5:

1. Hiring, evaluation, promotion, demotion, transfer, assignment, and retention of certificated employees.
2. 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.
3. Unpaid leave.
4. Teacher right (or "professional advantages" clauses).
5. Negotiation/discussion procedures.

LEBANON COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

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

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

(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 . . .

(5) Any subject not expressly listed in section 4 of this chapter."

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, but do not include the teacher evaluation procedures and criteria, or any components of the teacher evaluation plan, rubric, or tool."

OFFICIAL BOND

The School Corporation properly bonded the School Corporation Treasurer and Extra-Curricular Treasurer; however, both bonds have been continuously renewed since 2007. A new bond has not been obtained each year.

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 Corporations, Chapter 8)

LEBANON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 28, 2016, with Dr. Robert L. Taylor, Superintendent of Schools, Charles L. Tait, Business Manager; and Melissa Moore, Treasurer.