

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GOSHEN COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/22/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jerry D. Hawkins	07-01-12 to 12-31-15
Superintendent of Schools	Diane Woodworth	07-01-12 to 06-30-16
President of the School Board	Maynard Hartsough Jane Troup Catherine Cripe	07-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GOSHEN COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Goshen 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

December 3, 2015

GOSHEN COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

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

There are several accounts included in the bank statement received by the School Corporation which are not part of the funds that are accounted for on the School Corporation records. These include the Self-Insurance Operations, Self-Insurance Reserves, Self-Insurance Stabilization, Certified Providers - TBR, and My Lunch Money. Since the transactions for these accounts are not included in the records, the normal controls are not in place. Failure to establish 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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2014-002 - 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 the federal awards. Without a proper reporting system of internal controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: several grants were not included on the grant schedule, such as the programs included in the Child Nutrition Cluster; the grants within the Special Education Cluster were overstated; and other grants did not include items such as the Catalog of Federal Domestic Assistance (CFDA) number. 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)

GOSHEN COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2014-003 - ALLOWABLE COSTS

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States, Special Education - Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Number): 1 4212-016-PN01, 14213-016-PN01,
14214-016-PN01, 45712-016-PN01,
45713-016-PN01, 45714-016-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs compliance requirements.

GOSHEN COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation did not complete time and effort logs for the teachers' that worked part time on the Special Education program and part time on other programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

OMB Circular A-87, Attachment B, paragraph 8(h)(4) states in part:

"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 standard in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity."

The failure to establish internal controls enabled 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 the Allowable Cost compliance requirements. We also recommended that the School Corporation comply with Allowable Cost by preparing the time and effort logs that reflect time worked for the Special Education program and other programs.



GOSHEN COMMUNITY SCHOOLS

"Ensuring all students acquire knowledge and apply skills -- enhancing tomorrow's opportunities."

Goshen Community Schools
613 East Purl Street
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Ph: (574) 533-8631
Fax: (574) 533-2505
www.goshenschools.org

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Jerry Hawkins
Contact Phone Number: 574-533-8631

Superintendent
Dr. Diane B. Woodworth

*Assistant Superintendent-
Elementary Education*
Dr. Alan Metcalfe

*Assistant Superintendent-
Secondary Education*
Mrs. Angela Piazza

*Assistant Superintendent-
Human Resources &
Professional Development*
Mrs. Tamra K. Ummel Ed. S.

Director of Finance
Mr. Jerry D. Hawkins

Facilities Director
Mr. Tom Boomershine

Food Service Director
Mrs. Sherry Faulkner

EL Director
Mr. Thomas Good

*Director of Grants
& Assessments*
Mrs. Mary Kay Longacre

Transportation Coordinator
Mrs. Shelly Sharkey

Technology Director
Mr. David M. Snyder

*Assistant HR Director &
Health Services Coordinator*
Mrs. Susan Stiffney

Description of Corrective Action Plan:

Goshen Community Schools will add fund numbers to our financial accounting software to record the Self-Insurance Operations, Self-Insurance Reserves, and Self Insurance Stabilization funds.

Online payments for textbook and food service will be transferred and receipted into the financial accounting software on a monthly basis.

Anticipated Completion Date:

Goshen Schools anticipates having this completed by June 30, 2015.


(Signature)

Director of Finance
(Title)

5-6-15
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Person Responsible for Corrective Action: Jerry Hawkins
Contact Phone Number: 574-533-8631

Superintendent
Dr. Diane B. Woodworth

*Assistant Superintendent-
Elementary Education*
Dr. Alan Metcalfe

*Assistant Superintendent-
Secondary Education*
Mrs. Angela Piazza

*Assistant Superintendent-
Human Resources &
Professional Development*
Mrs. Tamra K. Ummel Ed. S.

Director of Finance
Mr. Jerry D. Hawkins

Facilities Director
Mr. Tom Boomershine

Food Service Director
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Mr. Thomas Good

*Director of Grants
& Assessments*
Mrs. Mary Kay Longacre

Transportation Coordinator
Mrs. Shelly Sharkey

Technology Director
Mr. David M. Snyder

*Assistant HR Director &
Health Services Coordinator*
Mrs. Susan Stiffney

Description of Corrective Action Plan:

Goshen Community Schools was not aware of the requirements and procedures related to reporting the Schedule of Expenditures of Federal Awards (SEFA). Every attempt will be made to report accurately all federal awards as instructed by the State Board of Accounts.

Anticipated Completion Date:

This is effective immediately.


(Signature)

Director of Finance
(Title)

5-6-15
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Person Responsible for Corrective Action: Donna Schrock
Contact Phone Number: 574-533-3151

Superintendent
Dr. Diane B. Woodworth

*Assistant Superintendent-
Elementary Education*
Dr. Alan Metcalfe

*Assistant Superintendent-
Secondary Education*
Mrs. Angela Piazza

*Assistant Superintendent-
Human Resources &
Professional Development*
Mrs. Tamra K. Ummel Ed. S.

Director of Finance
Mr. Jerry D. Hawkins

Facilities Director
Mr. Tom Boomershine

Food Service Director
Mrs. Sherry Faulkner

EL Director
Mr. Thomas Good

*Director of Grants
& Assessments*
Mrs. Mary Kay Longacre

Transportation Coordinator
Mrs. Shelly Sharkey

Technology Director
Mr. David M. Snyder

*Assistant HR Director &
Health Services Coordinator*
Mrs. Susan Stiffney

Description of Corrective Action Plan:

At the beginning of each school year the bookkeeper at ECSEC compiles a chart of all Special Education Staff in each school corporation. The chart lists who is being paid from the Special Ed Grant, at what percentage, if they are also paid from the General Fund and at what percentage. Coordinators for each corporation at ECSEC assist in compiling the names of the special education staff within their corporation.

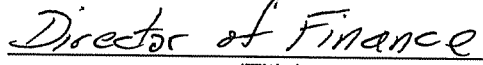
The chart is then sent to the Business Manager of the corporation to verify names and percentages. They are also to note any special education staff paid by another grant. This chart is used to determine if the staff should be on the Semi-Annual Certification or if they are to complete Time & Effort Logs.


Goshen has one staff member on Time & Effort. ECSEC had an employee that was missed when put on both Part B 611 & 619 for private schools. The Speech Pathologist is now completing time and effort logs and will be verified by the Director.

Anticipated Completion Date:

We have collected Time & Effort Logs for Goshen through March. The Speech Pathologist is completing her Time & Effort Logs and will have them to me by May 15, 2015.


(Signature)


(Title)


(Date)

GOSHEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2013 and 2014:

Fund	Amount Overdrawn 06-30-13	Amount Overdrawn 06-30-14
2014 Chamberlain Playground	\$ -	\$ 41,965
Early Childhood Intervention (First Steps)	-	53,773

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)

PREPAID SCHOOL LUNCH ACTIVITY

Beginning in 2014, receipts from students for school lunches and breakfasts are receipted into the Prepaid Food Clearing Account. When students paid for meals, that amount should have been transferred into the School Lunch fund. These transfers were not made in 2014.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections re to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

School Officials did not present sufficient detailed student records to support the Average Daily Membership (ADM) claimed by the School Corporation. Officials stated that the information was not retained for audit. We were unable to determine if the number of students claimed was accurate.

During the audit period, Indiana Code 5-15-6-3(f) stated in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

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)

GOSHEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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)

TEXTBOOK RENTAL FEES

The School Corporation charges each student fees for the rental of textbooks and the purchase of various consumable items. Sufficient supporting documentation was not provided for audit to verify that the calculation of those fees was in compliance with statutory requirements.

GOSHEN COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

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

"(a) A governing body may purchase from a publisher, any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body. The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

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

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

Indiana Code 20-41-2-5(a) states:

"A governing body in operating a curricular materials rental program under IC 20-26-5-4(12) may use either of the following accounting methods:

- (1) The governing body may supervise and control the program through the school corporation account, establishing a curricular materials rental fund.
- (2) If curricular materials have not been purchased and financial commitments or guarantees for the purchases have not been made by the school corporation, the governing body may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1."

Therefore, we are of the audit position if any school corporation funds have been used to purchase the textbooks or financial commitments or guarantees have been made by the school corporation, the textbook rental program must be operated through the textbook rental fund of the school corporation in the corporation records. (The School Administrator and Uniform Compliance Guidelines, September, 2012)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

GOSHEN COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 6, 2015, with Jerry D. Hawkins, Treasurer; Diane Woodworth, Superintendent of Schools; and James Ramer, Vice President of the School Board; and on December 3, 2015, with Jerry D. Hawkins, Treasurer; Diane Woodworth, Superintendent of Schools; and Catherine Cripe, President of the School Board.