

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MANCHESTER COMMUNITY SCHOOLS

WABASH COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kendra J. Miller	07-01-12 to 06-30-16
Superintendent of Schools	Dr. William C. Reichhart	07-01-12 to 06-30-16
President of the School Board	Brian Schilling Sally Krouse Steve Flack	07-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-16



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the Manchester 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 incorporated within this report were not verified for accuracy.

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

January 26, 2016

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER THE 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.

During the audit of the SEFA, we noted the following errors for the 2012-2013 school year: the Child Nutrition Cluster had under reported expenditures of \$55,560; Title I, Part A Cluster over reported expenditures by \$9,308; Improving Teacher Quality State Grants under reported expenditures by \$5,836; Education Jobs Fund under reported expenditures by \$41,767, and there were \$30,330 of non-federal expenditures reported. We noted the following errors for the 2013-2014 school year: the Child Nutrition Cluster had under reported expenditures of \$507,716; Title I, Part A Cluster under reported expenditures by \$61,399; Improving Teacher Quality State Grants under reported expenditures by \$2,970, and there were \$73,319 of non-federal expenditures reported. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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

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

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

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

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

- (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.

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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

***FINDING 2014-002 - INTERNAL CONTROLS OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 12-8045, 13-8045, 14-8045
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect to the programs. This includes the following compliance requirements: Cash Management and Reporting.

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports, Requests for Reimbursement, were accurately prepared. One employee was solely responsible for preparing and submitting all required reports, including reimbursement requests. There was no segregation of duties, such as an oversight or approval process.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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

MANCHESTER 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."

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 2014-003 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: 12-8045, 13-8045, 14-8045
Pass-Through Entity: Indiana Department of Education

One of the Allowable Costs/Costs Principles compliance requirements for Title I Grant funding is the maintenance of Time and Effort logs to document employees that are paid from both Title I Grant funds and other funds for various functions. The School Corporation did not maintain these logs during the audit period. During the audit period, six employees were paid from both the School Corporation's General fund and Title I Grant funding. These six employees should have maintained Time and Effort logs to document the amount of their time spent on Title I activities versus their time spent on other activities. The Title I Director did not require them to maintain these logs nor did the School Corporation's internal control system detect the noncompliance of not maintaining Time and Effort logs.

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

34 CFR 80.22 states:

"(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.

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(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, Section 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 semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

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

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after- the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee."

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

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

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Lack of Time and Effort logs could cause payroll to be charged to Title I programs without proper evidence of employees working on Title I projects. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommend that management of the School Corporation maintain the Time and Effort logs to document time worked on Title I activities and to establish internal controls, including segregation of duties, to ensure that all compliance requirements that have a direct and material effect to the program are complied with.

FINDING 2014-004 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2012/2013, FY 2013/2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect to the programs. This includes the following compliance requirements: Cash Management, Eligibility, Program Income, and Reporting.

Cash Management

The School Corporation has not designed or implemented adequate policies or procedures to ensure that cash management is monitored for compliance with program requirements. No one monitors the fund balances to ensure that the balances do not exceed the allowable limits.

Eligibility (NSLP)

The School Corporation has not designed or implemented adequate policies or procedures to ensure that students' eligibility for free and reduced price lunches is properly determined in compliance with program requirements. One person is solely responsible for inputting applications into the computer software system which determines eligibility. An oversight or review process has not been established to ensure accurate eligibility determinations.

Program Income

The School Corporation has not designed or implemented adequate policies or procedures to ensure that program income was properly determined in compliance with program requirements. The documentation supporting program income was not provided by the School Corporation officials. An oversight or review process has not been established to ensure accurate program income documentation.

Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight or approval process.

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements, and allow the misuse and mismanagement of federal funds and assets, by not having proper oversight, reviews, and approvals over the activities of the 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."

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 2014-005 - SPECIAL TESTS AND PROVISIONS - ELIGIBILITY
VERIFICATION OF FREE AND REDUCE LUNCH APPLICATIONS***

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

The School Corporation was unable to produce evidence that the required verification of income eligibility for free and reduce lunch applications had been performed. The results of test checks are to be reported to the Indiana Department of Education in accordance with 7CFR 245.6(a).

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.

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 245.6a Verification Requirements states in part:

"(a) *Definitions*: . . .

- (5) *Sample size*. For the purposes of this section, 'sample size' means the number of approved applications that a local educational agency is required to verify based on the number of approved applications on file as of October 1 of the current school year.
- (6) *School year*. For the purposes of this section, a school year means a period of 12 calendar months beginning July 1 of any year and ending June 30 of the following year. . . .
- (7) *Sources of information*. For the purposes of this section, sources of information for verification may include written evidence, collateral contacts, and systems of records as follows: . . .

(c) *Verification requirement-(1) General*. The local education agency must verify eligibility of children in a sample of household applications approved for free and reduced price meals benefits for that school year."

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. Failure to comply with Eligibility Verification requirements could result in sanctions from the grantor or pass-through agency.

We recommended that the School Corporation prepare and retain Eligibility Verification files for each school year.

FINDING 2014-006 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

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

The School Corporation did not perform the necessary calculation for paid lunch equity during the audit period. The School Corporation did increase prices in FY12-13 and FY13-14, based on cash flow needs.

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.

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 210.14 states in part:

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

- (1) *Calculation procedures.* Each school food authority shall:
 - (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
 - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
 - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . .
- (3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
 - (i) 2 percent; and
 - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.
- (4) *Price Adjustments.*
 - (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.
 - (ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
 - (iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents. . . .
- (6) *Additional considerations.*
 - (i) In any given year, if a school food authority with an average price lower than the reimbursement difference is not required by paragraph (e)(4)(ii) of this section to increase its average price for paid lunches, the school food authority shall use the unrounded average price as the basis for calculations to meet paragraph (e)(3) of this section for the next school year.

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(ii) If a school food authority has an average price lower than the reimbursement difference and chooses to increase its average price for paid lunches in any school year more than is required by this section, the amount attributable to the additional voluntary increase may be carried forward to the next school year(s) to meet the requirements of this section.

(iii) For the school year beginning July 1, 2011 only, the limitations for non-Federal contributions in paragraph (e)(5)(iii) of this section do not apply.

(7) *Reporting lunch prices.* In accordance with guidelines provided by FNS:

(i) School food authorities shall report prices charged for paid lunches to the State agency; and

(ii) State agencies shall report these prices to FNS.

(f) *Revenue from nonprogram foods.* Beginning July 1, 2011, school food authorities shall ensure that the revenue generated from the sale of nonprogram foods complies with the requirements in this paragraph.

(1) *Definition of nonprogram foods.* For the purposes of this paragraph, nonprogram foods are those foods and beverages:

(i) Sold in a participating school other than reimbursable meals and meal supplements; and

(ii) Purchased using funds from the nonprofit school food service account.

(2) *Revenue from nonprogram foods.* The proportion of total revenue from the sale of nonprogram foods to total revenue of the school food service account shall be equal to or greater than:

(i) The proportion of total food costs associated with obtaining nonprogram foods to

(ii) The total costs associated with obtaining program and nonprogram foods from the account.

(3) All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

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. Failure to comply with Paid-Lunch Equity requirements could result in sanctions from the grantor or pass-through agency.

We recommended that the School Corporation prepare and maintain calculations each school year and increase prices accordingly, if necessary.

CORRECTIVE ACTION PLAN

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

Contact person Responsible for Corrective Action: Scott Bumgardner
Contact Phone Number: 260-982-7518

Description of Corrective Action Plan:

1. Adjustments proposed for the errors found on the Schedule of Expenditures of Federal Awards (SEFA) were accepted, and made to the SEFA.
2. Internal controls are in place, as of June 1, 2015, for additional verification by someone other than the preparer for the SEFA reporting process.

FINDING 2014-002 – INTERNAL CONTROLS OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number 84.010
Federal Award Number and Year: 12-8045, 13-8045, 14-8045
Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan:

1. An Internal Control System, as of June 1, 2015, including the segregation of duties of cash management and reporting, are in place for additional verification by someone other than the preparer.

FINDING 2014-003 – ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number 84.010

Federal Award Number and Year: 12-8045, 13-8045, 14-8045

Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan:

1. Maintenance of time and effort logs will be used, as of June 1, 2015, to document employees that are paid from both Title I Grant funds and other funds for various functions.
2. Internal controls are in place, as of June 1, 2015, including the segregation of duties, for additional verification by someone other than the preparer.

FINDING 2014-004 – INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Years: FY 2012/2013, FY 2013-2014

Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan:

1. An Internal Control System, as of June 1, 2015, including the segregation of duties of Cash Management, Eligibility, Program Income, and Reporting are in place for additional verification by someone other than the preparer.
2. Proper oversight, reviews, and approvals will take place due to this segregation of duties.

FINDING 2014-005, SPECIAL TESTS AND PROVISIONS – ELIGIBILITY VERIFICATION

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan:

1. Required evidence of Income Verification will be performed.
2. Internal controls are in place, as of June 1, 2015, including the segregation of duties, for additional verification by someone other than the preparer.

FINDING 2014-006 – SPECIAL TESTS AND PROVISIONS – PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program, School Breakfast Program

CFDA Number: 10.555, 10.553

Federal Award Number and Year (or Other Identifying Number): FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

Description of Corrective Action Plan:

1. Necessary calculations for paid lunch equity will be in effect.
2. Internal controls are in place, as of June 1, 2015, including the segregation of duties, for additional verification by someone other than the preparer.



Signature

Treasurer

Title

7-1-15

Date



Signature

Business Manager

Title

7-1-15

Date

MANCHESTER COMMUNITY SCHOOLS
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.

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)

APPROPRIATIONS

The expenditures for the General fund in calendar year 2013, exceeded budgeted appropriations by \$293,519.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SUPPORTING DOCUMENTATION AND SALES TAX PAID ON CREDIT CARD CLAIMS

We reviewed six months of credit card claims and noted the following deficiencies: \$783 was paid to vendors without supporting documentation, \$297 of sales tax was paid, and \$717 was paid for staff Christmas parties and gifts from the School Lunch fund.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

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)

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS - TRANSACTIONS NOT REPORTED

Manchester Community Schools used various clearing account funds to account for construction projects and equipment purchases. These transactions were financed by receipts from the Manchester Elementary School Building Corporation, insurance payments, and reimbursements from the Capital Projects Fund. During the FY2012-2013 school year, \$304,870 and \$273,287, was recorded through clearing account receipts and disbursements, respectively, and during FY2013-2014, \$66,640 and \$143,346, was recorded through clearing account receipts and disbursements, respectively. These transactions should have either been posted to the Capital Projects fund or not been accounted for at all as they were the expenses of the Building Corporation. By posting these transactions through the Clearing Account fund, this activity was never reported to the Indiana Department of Education on the School Corporations semi-annual report Form 9.

A fund, as used in the manual, represents moneys set aside for specific activities of a school corporation. A fund constitutes a complete accounting entity and all financial transactions, both receipts and disbursements, are to be recorded in the fund to which they pertain. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

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)

OVERDRAWN CASH BALANCES

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

A similar comment appeared in prior Report B41708.

<u>Fund</u>	<u>Amount Overdrawn</u>
School Lunch	\$ 30,129
Textbook Rental	4,891

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)

MANCHESTER COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on July 1, 2015, with Kendra J. Miller, Treasurer; Scott Bumgardner, Business Manager; Dr. William C. Reichhart, Superintendent of Schools; and Steve Flack, President of the School Board.

The contents of this report were discussed on January 26, 2016, with Scott Bumgardner, Business Manager, and Dr. William C. Reichhart, Superintendent of Schools.