

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
SOUTHEAST FOUNTAIN SCHOOL CORPORATION
FOUNTAIN COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
04/14/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cynthia C. Alward	07-01-13 to 06-30-16
Superintendent of Schools	Douglas A. Allison	07-01-13 to 06-30-16
President of the School Board	Doug Davenport Eli Hoagland Nick Davis Donna J. Deel	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTHEAST FOUNTAIN SCHOOL
CORPORATION, FOUNTAIN COUNTY, INDIANA

This report is supplemental to our audit report of the Southeast Fountain School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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

February 3, 2016

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - 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.

During the audit of the SEFA, we noted the following errors for the year ended June 30, 2014:

1. The School Breakfast Program was understated by \$95,863.
2. The National School Lunch Program was understated by \$72,249.
3. The Special Education Program was understated by \$72,992.
4. The Special Education Preschool Program was understated by \$300.
5. The Title I Grants to Local Educational Agencies Program was understated by \$31,006.
6. The Improving Teacher Quality State Grants Program was overstated by \$1,920.

We also noted that the National School Lunch Program was understated by \$41,801 for the year ended June 30, 2015. 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:

SOUTHEAST FOUNTAIN 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 2015-002 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Years: SY12-13, SY13-14, SY14-15
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/Cost Principles compliance requirements.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that funds are expended in compliance with the Allowable Costs/Cost Principles requirements of the program. There were not adequate controls over time and effort reporting to ensure that all teachers who worked full-time in the program were included on the semi-annual certifications. There was no segregation of duties, such as an oversight, review, or approval 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 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.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

We recommended that the School Corporation's management establish controls, including segregation of duties related to the grant agreement and the Allowable Costs/Cost Principles compliance requirements.

Southwest Fountain School Corporation

744 East U.S. Hwy. 136
Deedersburg, Indiana 47987

Mr. Douglas A. Allison,
Superintendent

Ph: 765-294-2254
Fax: 765-294-3200

SOUTHEAST FOUNTAIN SCHOOL CORPORATION CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Cynthia C. Alward, Treasurer
Contact Phone Number: 765-294-2254

Description of Corrective Action Plan:

Control - We intend to use a checklist designed to be verified by a second person to insure that all data is included on the SEFA report.

Plan – Every grant file will be reviewed and if applicable, entered on the Expenditure of Federal Awards. The Revenue history report will be reviewed to insure the correct amount of receipts for the fiscal year is included.

Anticipated Completion Date: Immediately

FINDING 2015-002

Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year: SY2012-13, SY2013-14, SY2014-15
Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Darren Haas & Carmine Akers
Contact Phone Number: 765-294-2216

Description of Corrective Action Plan:

Control and Plan – The Allowable Cost report will be prepared by Title I administrator and reviewed by a second administrative person to insure that all qualified Title I paid personnel (certified and non-certified) are included on the report.

Anticipated Completion Date: Immediately



(Signature)

Treasurer
(Title)

1/28/16
(Date)

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

SUPERINTENDENT PUBLIC MEETING

The School Board did not hold a public meeting prior to entering into a contract with the Superintendent.

Indiana Code 20-26-5-4.3(a) states in part:

"At least seven (7) days before a contract for employment is entered into by a governing body and a school superintendent, the governing body shall hold a public meeting on the proposed contract at which public comment is heard. The governing body is not required to disclose the identity of the candidate for superintendent at the public meeting."

COLLECTIVE BARGAINING AGREEMENT

The final Master Contract for the audit period contained specifics for unpaid leave which was prohibited under IC 20-29-6-4.5.

Indiana Code 20-29-6-4.5 states in part: "Any subject not expressly listed in section 4 of this chapter."

Indiana Code 20-29-6-4 states in part:

"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."

PUBLIC WORKS PROJECT

During the 2013-2014 school year, the School Corporation entered into a contract for the repaving and improvement of the Elementary School parking lot. The total cost of the project was \$247,393. There was no evidence presented that a bid packet was received. There was no evidence that any of the following documents had been submitted: a financial statement, a statement of experience, a proposed plan or plans for performing the public work, or the equipment that the bidder has available for performing the public work.

Indiana Code 36-1-12-4 states in part:

"(a) This section applies whenever the cost of a public work project will be:

- (1) except as provided in subdivision
 - (2) at least one hundred fifty thousand dollars (\$150,000) . . .
- (b) The board must comply with the following procedure: . . .

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (6) The board shall require the bidder to submit a financial statement, a statement of experience, a proposed plan or plans for performing the public work, and the equipment that the bidder has available for the performance of the public work. The statement shall be submitted on forms prescribed by the state board of accounts."

EDUCATIONAL FEES

The School Corporation charged various educational fees, such as art fees, locker fees, and technology fees. The School Corporation did not obtain a written opinion from the School Corporation's Attorney to verify that these fees were appropriate in regards to Constitutional provisions. In addition, these educational fees were receipted into the Extra-Curricular Account's Textbook Rental fund instead of the Corporation's General fund.

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

PREPAID LUNCH ACCOUNT RECONCILIATIONS

The School Corporation did not establish a prepaid school lunch clearing account. This account is necessary in order to maintain a control of the prepaid student lunch account balances. Subsidiary records of student lunch account balances should be reconciled to the control account monthly.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are 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) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated that enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2014, and June 30, 2015.

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

The enrollment count dates for 2013-2014 year and 2014-2015, were September 13, 2013, and September 12, 2014, respectively. The difference between the count reported on the ADM and the verified enrollment figures is shown below:

<u>School Years</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Verified Enrollment Figures</u>	<u>Difference</u>
13-14	Kindergarten	47.5	47.0	0.5
13-14	1 through 12	1,066	1,064	2
14-15	Kindergarten	41	40	1

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)

SOUTHEAST FOUNTAIN SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 3, 2016, with Cynthia C. Alward, Treasurer; Douglas A. Allison, Superintendent of Schools; Donna J. Deel, President of the School Board; and Tammy L. Allen, Deputy Treasurer.