

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FAIRFIELD COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
04/14/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marla J. Steffen	01-01-12 to 12-31-16
Superintendent of Schools	Thomas E. Tumey Steven W. Thalheimer	07-01-12 to 01-01-13 01-02-13 to 01-01-19
President of the School Board	Mike Morehouse Wayne Miller Trent Hostetler Wayne Miller Marilee Keim	07-01-12 to 12-31-12 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 FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Fairfield 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 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 Finding, identified in the above referenced audit report, is included in this report.

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

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

February 17, 2016

FAIRFIELD COMMUNITY SCHOOLS
FEDERAL FINDING

FINDING 2014-001 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education
Federal Programs: Title I Grants to Local Educational Agencies, Special Education Grants to States
CFDA Number: 84.010, 84.027
Federal Award Number and Year: 12-2155, 13-2155, 14-2155, 11-12, 12-13, 13-14, TA Grant
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, such as an oversight or approval process, related to the grant agreements and the Cash Management and Reporting compliance requirements that have a direct and material effect on the programs.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreements 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that costs were paid prior to reimbursements being requested, and that requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting the requests and reports. There was no evidence of segregation of duties, such as an oversight or approval process, or another compensating control.

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.

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 agreements and compliance requirements listed above.



Steve Thalheimer, Superintendent
Philip R. Menzie, Business Manager

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fax: (574) 831-5698

email: pmenzie@fairfield.k12.in.us

CORRECTIVE ACTION PLAN

February 9, 2016

FINDING 2014-001

Contact Person Responsible for Corrective Action: Steve Thalheimer—Title I
Philip Menzie—Special Education

Contact Phone Number: (574) 831-2188

Description of Corrective Action Plan:

Title I: The School Corporation has procedures in place for all segregation of duties as required. The Superintendent works with the building principals through the application process to develop the project budget. The budget is shared with the Treasurer and Deputy Treasurer. Purchases are coordinated between the principals, Superintendent and Deputy Treasurer, who encumbers the appropriate funds and makes the payments through the Accounts Payable process. Personnel costs are reconciled to the budget by the Treasurer who does the bi-weekly payroll. Monthly reports of all aspects of the budget are given to the Superintendent for review against the original budget. Any discrepancies are handled by the Superintendent, Treasurer and Deputy Treasurer in collaboration with each other. Cash requests for reimbursement of expended funds are prepared by the Deputy Treasurer and approved by the Superintendent. (See attached compliance monitoring report from IDOE.)

These processes have been in place for a number of years except for the approval of the cash request. This step was added as soon as it was required by the appropriate agencies.

In January, 2015, Fairfield was the subject of a federal on-site monitoring review by the Department of Education concerning all processes and procedures for federal programs Title I, II and III. The Department issued a letter dated February 18, 2015, indicating final approval of all procedures (letter attached).

Special Education: The School Corporation has procedures in place for all segregation of duties as required. The Superintendent and Business Manager work with the building principals and staff of the Elkhart County Special Education Co-Op ("ECSEC") through the application process to develop the project budget. The budget is shared with the Treasurer and Deputy Treasurer. Purchases are coordinated between the principals, Business Manager, ECSEC staff and Deputy Treasurer, who encumbers the appropriate funds and makes the payments through the Accounts Payable process. Personnel costs are reconciled to the budget by the Treasurer who does the bi-weekly payroll. Reports of all aspects of the budget are given to the Business Manager for review against the original budget. Any discrepancies are handled by the Business Manager, Treasurer, and Deputy Treasurer in collaboration with each other and with ECSEC staff. Cash requests for reimbursement of expended funds are prepared by the Deputy Treasurer and approved by the Business Manager.

These processes have been in place for a number of years except for the approval of the cash request. This step was added as soon as it was required by the appropriate agencies.

Corrective Action Plan
Page Two
February 9, 2016

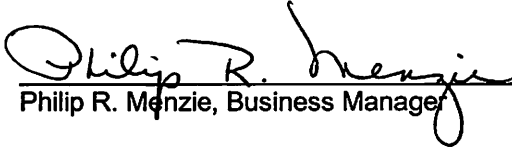
Anticipated Completion Date:

Title I: Cash Request approval by Superintendent initiated July 1, 2014. . .when requested by the IDOE.

Special Education: Cash Request approval by Business Manager initiated July 1, 2014. . .when requested by the IDOE.



Steve Thalheimer, Superintendent



Philip R. Menzie, Business Manager



MEMORANDUM

TO:

Steve Thalheimer, Superintendent
Title I, II, and III Administrator
Fairfield Community Schools #2155

FROM:

Brenda Martz, Title I Grants Management Specialist
Indiana Department of Education

SUBJECT:

Federal On-Site Monitoring

DATE:

February 18, 2015

Thank you for submitting the requested on-site monitoring Corrective Action documentation for the Title I, Part A program at Fairfield Community Schools as required by the Elementary and Secondary Education Act of 1965 (ESEA), and as amended by the *No Child Left Behind Act* (NCLB).

All Corrective Actions submitted by Fairfield Community Schools in response to the Findings cited in the on-site monitoring report dated November 20, 2014 were reviewed and approved. **No further action is required.**

Thank you for your responsiveness and prompt follow-up to all Corrective Actions during the monitoring process.

Please feel free to contact me by phone at (317) 232-0593 or email at bmartz@doe.in.gov regarding any questions or concerns.

Compliance Standard Indicator	Applicable to:	Rating	IDOE Comments and Rating Key Rating Scale: M=Meets Requirements R=Recommendation F=Finding N/A=Not Applicable Any LEA that receives a Finding must complete a Corrective Action
Monitoring Topic 10: Compliance with financial management/procurement requirements EDGAR §76.770 & 80.40(a); OMB Circular A-87; NCLB §2123(b)			
1	Explain the process of an expense going from the budget page to ordering and procurement, to the accurate documentation of expenditures maintained at the LEA (internal control).	Title I, A Title II, A Title III, A	M At Fairfield Community Schools the Superintendent and building principals work to develop the project budget for the year. As the application is being processed, the budget is shared with the treasurer and deputy treasurer, if there are changes pending from previous years. Once the application is approved, copies of the application and Excel budgets are provided to treasurer and deputy treasurer. Requests to purchase materials are coordinated between the principal and deputy treasurer, with expenditures cleared by the deputy treasurer. Personnel costs are reconciled to the budget by the treasurer as she does payroll. Monthly reports of all programs are provided to the Superintendent as claims are prepared for the board. Discrepancies are handled by the Superintendent, treasurer, and deputy treasurer consulting.
2	Explain how you ensure that purchase orders and invoices are coded appropriately and match what was approved in the application.	Title I, A Title II, A Title III, A	M Fairfield Community Schools reports that all requests to purchase and purchase orders are coded with the appropriate fund and object codes at the building and district level. Purchase orders are reconciled against the budget by the deputy treasurer as purchase orders are received at the district level.
3	Provide evidence that measures are in place to ensure contracted services (consultants) are working the amount of time for which they are paid.	Title I, A	N/A Fairfield Community Schools does not have consultants working in the district at this time.
4	Explain the process for determining pay differential if applicable.	Title I, A	N/A Fairfield Community Schools does not use pay differential.
5	Provide evidence that Title I, A funds used for salaries and related benefits match personnel in the application.	Title I, A	M At Fairfield Community Schools building principals approve all expenditures as they align to Title programs and applications. When requests to purchase and purchase orders arrive at the district office, the deputy treasurer and business manager sign off on the availability of funds and preliminary approval before Superintendent sign-off. The experience of the deputy treasurer as accounts payable and the business manager help verify that costs are reasonable and fit. If there is a question regarding applicability or necessity, the deputy treasurer and/or business manager will seek clarification from the principal and/or Superintendent.
6	Provide evidence that audit findings have been addressed.	Title I, A Title II, A Title III, A	M Fairfield Community Schools was audited by the State Board of Accounts for the period of July 1, 2010 - June 30, 2012. The report dated January 31, 2013 indicated that there were no audit findings issued.
7	Provide expenditures that reflect the appropriate set-asides for equitable services to nonpublic schools and that they are administered by the LEA, and under the control of the LEA.	Title I, A Title II, A Title III, A	M Fairfield Community Schools verifies allocations for professional development with Clinton Christian as part of the Title II, A application process. Title I and Title III services are declined by the nonpublic schools.
8	Has the LEA participated in all applicable Title I data reporting and completed data collections by the required dates?	Title I, A	M Fairfield Community Schools has participated in all Title I applicable data reporting and completed data collections by the required due dates.

FAIRFIELD COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2016, with Marla J. Steffen, Treasurer; Steven W. Thalheimer, Superintendent of Schools; Marilee Keim, President of the School Board; Philip Menzie, Business Manager; and Jill Erb, Deputy Treasurer.