

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

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



**FILED**  
04/21/2016



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kim Baker	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Denis E. Ward Dr. Tracey R. Shafer	07-01-12 to 06-30-13 07-01-14 to 06-30-16
President of School Board	Todd Cloncs William Bradshaw Matt Steward Dr. Michael C. Beaty	07-01-12 to 01-13-13 01-14-13 to 01-13-14 01-14-14 to 01-13-16 01-14-16 to 12-31-16



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TO: THE OFFICIALS OF THE DANVILLE COMMUNITY SCHOOL  
CORPORATION, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Danville Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any 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/](http://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, was not verified for accuracy.

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

January 19, 2016

DANVILLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

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

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Several grants were not included on the SEFA for both school years presented. Federal awards on the SEFA were under reported by \$1,408,842.

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: the Child Nutrition Cluster for both school years was not included on the SEFA. In school year 2012-2013 the Education Jobs Fund program was not included on the SEFA. Several other program amounts reported were incorrect. 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.

DANVILLE COMMUNITY SCHOOL CORPORATION  
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 - ALLOWABLE COSTS**

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-3325, 13-3325, 14-3325

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 requirement.

The School Corporation has time and effort reporting sheets for those teachers that are funded partially through Title I program and also other efforts. Teachers that are compensated solely through Title I did not have semiannual certifications for either school year.

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.

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."

DANVILLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

OMB Circular A-87, Attachment B, paragraph 8(h)(3) states:

"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."

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.

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above. In addition, we recommended the School Corporation comply with the Allowable Costs compliance requirement.



## SUMMARY OF CORRECTIVE ACTION PLAN

### Finding 2014-001 – Preparation of the Schedule of Expenditures of Federal Awards

Corrective Action: Errors in reporting expenditures of SEFA will be addressed through internal controls. After SEFA is prepared, the report will be reviewed by the Treasurer and/or Assistant Treasurer.

### Finding 2014-002 – Allowable Costs

The Director of Academic Services will certify the monthly Title 1 reports of individuals who are partially paid from Title 1 and the semi-annual certification reports for those individuals who are paid entirely from Title 1.

  
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Dr. Tracey Shafer, Superintendent

  
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Date

  
\_\_\_\_\_

Tom Johnson, Asst. Superintendent

  
\_\_\_\_\_

Date

THE **DANVILLE** DIFFERENCE

Dr. Tracey R. Shafer, Superintendent

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DANVILLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE***

The information presented for audit indicated enrollment figures reported on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for both school years in the audit period. The enrollment count dates for the 2012-2013 school year and the 2013-2014 school year were September 14, 2012, and February 3, 2014, respectively. The differences between the counts reported on the ADM and the verified figures are shown below:

<u>School Year</u>	<u>Grade</u>	<u>Count as Reported on Form Number 30A</u>	<u>Verified Enrollment Figures</u>	<u>Difference</u>
2012-2013	K through 12	2,495	2,493	2
2013-2014	K through 12	2,463	2,459	4

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)

***BANK ACCOUNT RECONCILIATIONS***

The financial software used by the School Corporation automatically reconciled the bank balance at the beginning of the month to the bank balance at the end of the month. The software also documented clearing transactions and outstanding transactions. The School Corporation used the information provided, along with the bank statements, to ensure that all items related to a given month's transactions were recorded; however, actual bank reconciliations, reconciling total bank balances to total record fund balances during the audit period were not presented.

The field examiner reconstructed bank reconciliations as of June 30, 2013, and June 30, 2014, using the School Corporation's records. The reconciliations indicated a cash short of \$17,149 at June 30, 2013, and a cash long of \$8,107 at June 30, 2014.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

DANVILLE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on January 19, 2016, with Dr. Tracey R. Shafer, Superintendent of Schools; Tom Johnson, Assistant Superintendent of Financial Services; Dr. Michael C. Beaty, President of School Board; and Kim Baker, Treasurer.