

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENSBURG COMMUNITY SCHOOLS

DECATUR COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
05/06/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cindy Navarra	07-01-12 to 06-30-16
Superintendent of Schools	Thomas Hunter	07-01-12 to 06-30-16
President of the School Board	Al Moore	07-01-12 to 06-30-13
	David Weigel	07-01-13 to 06-30-14
	David Springmeyer	07-01-14 to 06-30-15
	Stephen J. Doerflinger	07-01-15 to 06-30-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE GREENSBURG COMMUNITY SCHOOLS, DECATUR COUNTY, INDIANA

This report is supplemental to our audit report of the Greensburg 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, was not verified for accuracy.

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

February 23, 2016

GREENSBURG COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2014-001- INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts and payroll disbursements. The failure to establish these 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)

FINDING 2014-002 - 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: (a) the School Breakfast Program was understated by \$320,861; (b) the National School Lunch Program was understated by \$1,251,497; (c) the Special Education - Grants to States program was understated by \$147,056; (d) the Special Education - Preschool Grants program was understated by \$12,317; (e) the Title I Grants to Local Educational Agencies program was understated by \$92,185; (f) the Improving Teacher Quality State Grants program was understated by \$83,490; and (g) the Education Jobs Fund program was understated by \$90,005. 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)

GREENSBURG COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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 - INTERNAL CONTROL OVER TITLE I, PART A CLUSTER

Federal Agency: 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): 12-1730, 13-1730, 14-1730

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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability of Federal Funds, and Reporting.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Board approved payroll disbursements from Title I funds in total only, the Board did not review or approve the total paid to each employee. The School Board's approval of the total paid from the funds does not ensure that only employees performing Title I activities were paid from the program.

GREENSBURG COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cash Management

Reimbursement requests were prepared and submitted by the Treasurer. There was no documentation of a control in place to ensure that expenses were paid prior to requesting reimbursement.

Period of Availability of Federal Funds

Period of availability of grant funds was monitored by the Treasurer. There was no documentation of a control in place to ensure compliance with Period of Availability requirements.

Reporting

The Treasurer prepared and submitted required reports. There was no documentation of a control in place to ensure the reports are accurate prior to submission.

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."

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.

GREENSBURG COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2014-004 - INTERNAL CONTROL OVER SPECIAL EDUCATION CLUSTER (IDEA)

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): 14212-003-PN01, 14213-003-PN01,
14214-003-PN01, 99910-003-TA01,
45712-003-PN01, 45713-003-PN01,
45714-003-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 following compliance requirements: Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

The School Corporation designated Bartholomew Special Services Cooperative (Co-op) as the fiscal agent to receive and manage the funding of the Special Education programs. The following were deficiencies in the internal control system:

Activities Allowed or Unallowed and Allowable Costs/Cost Principles: The School Corporation's Board and the Co-op's Board approved payroll disbursements from Special Education funds in total only, the Boards did not review or approve the total paid to each employee. The Boards' approval of the total paid from the funds does not ensure that only employees performing Special Education activities were paid from the 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 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.



Greensburg Community Schools
1312 W Westridge Parkway, Greensburg, IN 47240
Phone: (812) 663-4774 Fax: (812) 663-5713

CORRECTION ACTION PLAN

FINDING 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Cindy Navarra
Contact Phone Number: (812) 663-4774

Description of Corrective Action Plan:

Our office is small and sometimes segregation of duties is not possible. However in the two instances brought to our attention, receipt transactions and payroll claims for the board, we have made changes. Receipt transaction duties, posting and deposits, are now being handled by more than one person. Payroll transactions are now being presented to the board in detail for their approval

Anticipated Completion Date:

Already Completed.

Cindy Navarra

(Signature)

Director of Finance

(Title)

2-5-14

(Date)



Greensburg Community Schools
1312 W Westridge Parkway. Greensburg, IN 47240
Phone: (812) 663-4774 Fax: (812) 663-5713

CORRECTION ACTION PLAN

FINDING 2014-002 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Cindy Navarra
Contact Phone Number: (812) 663-4774

Description of Corrective Action Plan:

The SEFA for this time period was completed with no guidance on how the report was to be completed. It was very confusing on what was a qualified expenditure. What showed on our internal reports as expended for a time period did not meet the requirements of an expenditure for SEFA if it had not been reimbursed. Every effort has been made to complete the SEFA correctly now that we have a better understanding of what is required. The Treasurer will complete the SEFA and review the report along with supporting documentation with the Superintendent. The superintendent will then sign off on the SEFA along with the Treasurer.

Anticipated Completion Date:

Already Completed.

Cindy Navarra

(Signature)

Director of Finance

(Title)

2-9-16

(Date)



Greensburg Community Schools
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CORRECTION ACTION PLAN

FINDING 2014-003 – INTERNAL CONTROL OVER TITLE I, PART A CLUSTER

Contact Person Responsible for Corrective Action: Cindy Navarra
Contact Phone Number: (812) 663-4774

Description of Corrective Action Plan:

Title I funds are used primarily for salaries and benefits except for areas mandated from the federal government. Title I teachers and interventionists are determined before the process of completing the Title I application. Those employees' salaries and benefits are supplied to the payroll dept. Each month a listing of the payroll and benefits expended are filed for reimbursement with the state. The superintendent is now reviewing and signing off on reimbursement requests.

Anticipated Completion Date:

Already Completed.

Cindy Navarra

(Signature)

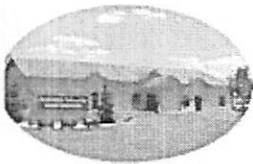
Director of Finance

(Title)

2-5-16

(Date)

<http://www.greensburg.k12.in.us>



Greensburg Community Schools
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CORRECTION ACTION PLAN

FINDING 2014-004 – INTERNAL CONTROL OVER SPECIAL EDUCATION CLUSTER (IDEA)

Contact Person Responsible for Corrective Action: Cindy Navarra
Contact Phone Number: (812) 663-4774

Description of Corrective Action Plan:

Special Ed funds are used solely for salaries and benefits. Special Ed teachers are determined before the process of completing the IDEA and Pre-School application. Those employees' salaries and benefits are supplied to the payroll dept. Each month a listing of the payroll and benefits expended are filed for reimbursement with the coop. The superintendent is now reviewing and signing off on reimbursement requests.

Anticipated Completion Date:

Already Completed.

Cindy Navarra

(Signature)

Director of Finance

(Title)

2-5-16

(Date)

GREENSBURG COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

SUPERINTENDENT'S CONTRACT PUBLIC MEETING

The School Corporation did not hold a public meeting at least seven days prior to the signing of the Superintendent of School's contract. A public hearing was held August 13, 2013, and the contract was signed August 14, 2013.

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

"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."

RECONCILIATION OF PREPAID FOOD ACCOUNTS

Reconciliations of the students' individual prepaid food account balances to the control account were not performed during the audit period. The control account balance at June 30, 2014, was negative \$22,258, while the detail of students' balances maintained on the Comalex system was negative \$6,945. The difference appears to be largely due to students with negative account balances that were removed from the Comalex system at the end of the 2012-2013 school year. It is the School Corporation's policy to remove the negative account balances from the Comalex system, and provide a list of negative balances to the Superintendent's Office to pursue collection in small claims court.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (Accounting and Uniform Guidelines Manual for Extra-Curricular Accounts, Chapter 3)

GREENSBURG COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 23, 2016, with Thomas Hunter, Superintendent of Schools; Cindy Navarra, Treasurer; and Stephen J. Doerflinger, President of the School Board.