

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MACONAQUAH SCHOOL CORPORATION

MIAMI COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/22/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina M. Bonifant	07-01-13 to 06-30-17
Superintendent of Schools	Dr. Douglas Arnold	07-01-13 to 06-30-17
President of the School Board	Brian Troyer Bob Harkema David Scheblo	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MACONAQUAH SCHOOL CORPORATION, MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of the Maconaquah 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 the Audit Result and Comment 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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

July 19, 2016

MACONAQUAH SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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 Treasurer compiled the SEFA with no oversight or approval.

Criteria

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)

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operates effectively, misstatements of the SEFA could have remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-002 - CASH MANAGEMENT, PROCUREMENT AND SUSPENSION AND DEBARMENT, PROGRAM INCOME, AND REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-2014, FY 2014-2015

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirements that have a direct and material effect on the programs: Cash Management, Procurement and Suspension and Debarment, Program Income, and Reporting.

MACONAQUAH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management

The School Corporation had not established a control to ensure that the food service balance was less than or equal to the average expenditures for three months.

Procurement and Suspension and Debarment

The School Corporation had not established a control over Procurement and Suspension and Debarment. Bids were not taken for food items purchased by the School Corporation. Bids taken by the Wabash Valley Cooperative were considered when determining vendors; however, those bids or vendors were not formally approved by the School Corporation. There were no controls to ensure that the contracts awarded were not to a suspended or debarred party.

Program Income

The School Board approved meal prices; however, there was no control in place to ensure that the prices approved were being correctly charged by the individual schools.

Reporting

The Food Service Director prepared and submitted the Sponsor Claim (claims for reimbursement) report and a School Corporation Secretary prepared and submitted the School Food Authority (SFA) Verification Collection Report; however, there was no control in place to determine whether the reports were accurate.

Context

The School Corporation did not have a proper system of Internal Controls over Cash Management, Procurement and Suspension and Debarment, Program Income, and Reporting compliance requirements related to the School Breakfast Program and the National School Lunch Program throughout the audit period.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system could have placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

MACONAQUAH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-003 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 13-5615, 14-5615, 15-5615

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirements that have a direct and material effect on the program: Cash Management and Reporting.

Cash Management

The Treasurer prepared and submitted the Reimbursement Forms; however, there were no controls in place to determine that expenses were paid prior to requesting reimbursement.

Reporting

The Treasurer prepared and submitted the Reimbursement Forms and Final Expenditure Reports; however, there were no controls in place to determine whether the reports were accurate.

Context

The School Corporation did not have a proper system of Internal Controls over Cash Management and Reporting compliance requirements throughout the audit period.

Criteria

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. . . ."

MACONAQUAH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system could have placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - REPORTING

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-035-PN01, 14214-035-PN01,
14215-035-PN01, 45712-035-PN01,
45713-035-PN01, 45714-035-PN01,
45715-035-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, such as an oversight, review, or approval process, related to the following compliance requirement that has a direct and material effect on the programs: Reporting.

Report of Children and Youth with Disabilities receiving Special Education under part B of the Individuals with Disabilities Education Act and Monthly Reimbursement Report was prepared and submitted by the Special Education Director; however, there was no control in place to determine whether the reports were correct.

Context

The School Corporation did not have a proper system of internal controls over the Reporting compliance requirement throughout the audit period.

MACONAQUAH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-035-PN01, 14214-035-PN01,
14215-035-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, which would have included segregation of duties, related to its grant agreement and the Allowable Costs/Cost Principles compliance requirement. The School Corporation is a member of the Kokomo Area Special Education Cooperative (Cooperative), and the School Corporation provided oversight of the Cooperative through the School Corporation Superintendent who serves as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to Allowable Costs/Cost Principles.

MACONAQUAH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Semiannual Certifications for fiscal year 2014 could not be located by the Cooperative and, therefore, were not presented for audit. For those employees that were paid from Special Education funds, the Cooperative should have included their names on Semiannual Certification Reports, and retained the reports.

Context

The School Corporation did not have a proper system of internal controls over Allowable Costs/Cost Principles compliance requirement related to Special Education_Grants to States throughout the audit period.

Criteria

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 semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed 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. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold
Superintendent
Ext. 1000

July 19, 2016

Dr. James M. Callane
Assistant Superintendent
Ext. 1050

Corrective Action Plan

Finding 2015-001

Contact Person: Tina M. Bonifant

Contact Phone: 765-689-9131 x 1160

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the internal controls guidelines, the treasurer shall provide SEFA report and supporting documentation to either the superintendent or assistant superintendent to review to help ensure that all information reported is correct to the best of our knowledge. This proper oversight shall assist in minimizing undetected errors and be documented by signature of reviewer.

Anticipated completion date: Immediate

Sincerely,


Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

IN PURSUIT OF EXCELLENCE

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold
Superintendent
Ext. 1000

July 19, 2016

Dr. James M. Callane
Assistant Superintendent
Ext. 1050

Corrective Action Plan

Finding 2015-002

Contact Persons: Tina M. Bonifant, Treasurer

Kim Lewis, Food Service Director

Contact Phone: 765-689-9131 x 1160

765-689-9131 x 1900

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the cash management guidelines, the treasurer shall maintain and provide proof of the calculations showing that the food service balance is less than or equal to 3 months of average operating expenses.

The food service director and/or the superintendent shall formally approve the bids for food items. The food service director shall also print out and verify by signature that contracts are not being awarded to suspended or debarred parties.

The food service director will also approve, by signature, that each individual school is charging the correct lunch prices approved by the School Board.

The food service director shall develop a procedure that will help ensure that the lunch reimbursements submitted are reviewed for accuracy. The School Food Authority Verification Collection Report (SFA) shall also be reviewed by the superintendent to ensure accuracy. Both reports will be signed by the reviewer.

Sincerely,



Tina M. Bonifant

Corporation Treasurer

July 19, 2016

Anticipated completion date: Immediate.

IN PURSUIT OF EXCELLENCE

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold
Superintendent
Ext. 1000

July 19, 2016

Dr. James M. Callane
Assistant Superintendent
Ext. 1050

Corrective Action Plan

Finding 2015-003

Title I CFDA 84.010

Contact Person: Tina M. Bonifant

Contact Phone: 765-689-9131 x 1160

Views of Responsible Official:

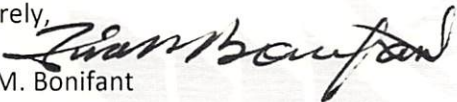
The Title I Director and Treasurer work closely together to ensure the grant figures are correct on an ongoing basis. We will be happy to confirm this practice by signature approval in the future.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the internal controls guidelines, the treasurer shall provide the Title I monthly expenditure and cash reimbursement report and supporting documentation to the Title I Director to review to help assure that all information reported is correct to the best of our knowledge. The Title I Director will acknowledge this review by signing the monthly submission report. This proper oversight shall assist in minimizing undetected errors.

Anticipated completion date: Immediate

Sincerely,


Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

IN PURSUIT OF EXCELLENCE

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold
Superintendent
Ext. 1000

Dr. James M. Callane
Assistant Superintendent
Ext. 1050

July 19, 2016

Corrective Action Plan

Finding 2015-004

Contact Person: Susan Evans, Director of Special Education

Contact Phone: 765-689-9131

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

To properly follow the internal controls guidelines, the Special Education Director shall provide supporting documentation with the Count of Children with Disabilities Receiving Special Education Services report to a second person to help ensure the information contained in the report is accurate to the best of their knowledge. This proper oversight shall assist in minimizing undetected errors and be documented by signature of reviewer.

Anticipated completion date: Immediate

Sincerely,


Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

IN PURSUIT OF EXCELLENCE

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MACONAQUAH SCHOOL CORPORATION

Dr. Douglas M. Arnold
Superintendent
Ext. 1000

Dr. James M. Callane
Assistant Superintendent
Ext. 1050

July 19, 2016

Corrective Action Plan

Finding 2015-005

Contact Persons: Suzie Reagle, KASEC

Susan Evans, Special Education Director

Contact Phone: 765-883-1487

765-689-9131 x 5612

Views of Responsible Official:

We understand the audit position and offer the statement below.

The Maconaquah School Corporation has reviewed and discussed the above finding related to the audit for the years July 1, 2013 – June 30, 2015, and we offer the following corrective action:

This finding is reflective of an audit of the 2013-14 school year. All Required time and effort documentation is currently maintained in accordance with federal requirements. Controls were in place for the 2014-15 school year and remain in place. This maintenance of documentation will be continued as required.

Anticipated completion date: Immediate

Sincerely,



Tina M. Bonifant

Corporation Treasurer

Business Manager

July 19, 2016

IN PURSUIT OF EXCELLENCE

7932 South Strawtown Pike, Bunker Hill, IN 46914-9667 Telephone (765) 689-9131 Fax (765) 689-0995

MACONAQUAH SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

ACCOUNTING FOR PREPAID LUNCH RECEIPTS

Prepaid lunch receipts were placed in Fund 8400 Clearing - Cafeteria Prepaid, a clearing account. The subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis by officials as required.

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 Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items. (The School Administrator and Uniform Compliance Guidelines, September 2008)

MACONAQUAH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2016, with Tina M. Bonifant, Treasurer; Dr. Douglas Arnold, Superintendent of Schools; and David Scheblo, President of the School Board.