

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EAST ALLEN COUNTY SCHOOLS

ALLEN COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
06/22/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lois M. Goeglein	07-01-13 to 06-30-17
Superintendent of Schools	Dr. Kenneth H. Folks	07-01-13 to 06-30-17
President of the School Board	Neil S. Reynolds Chris Baker Robert Nelson, Jr.	01-01-13 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF EAST ALLEN COUNTY SCHOOLS, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of East Allen County Schools (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 Finding, identified in the above referenced audit report, is 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 Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

May 8, 2017

EAST ALLEN COUNTY SCHOOLS
FEDERAL FINDING

**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 did not report commodity figures for the National School Lunch Program. The commodities were \$323,579 and \$333,576 for the years ending June 30, 2014 and 2015, respectively, for a total understatement of \$657,155. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

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.

EAST ALLEN COUNTY SCHOOLS
FEDERAL FINDING
(Continued)

- (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."

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 operated effectively, material misstatements of the SEFA remained undetected.

Views of Responsible Officials

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



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ADMINISTRATION BUILDING

1240 State Road 930 East, New Haven, IN 46774-1732

Phone: (260) 446-0100

Fax: (260) 446-0107

FINDING 2015-001 :

Contact Person Responsible for Corrective Action: Lois M. Goeglein, Treasurer
Contact Phone Number: 260-446-0106

Views of Responsible Official:

EACS concurs that the value of National School Lunch commodities received was not included in the totals of the National School Lunch Programs for 13/14 and 14/15 SEFA reports.

Description of Corrective Action Plan:

The 15/16 SEFA report on Gateway system will be re-opened and the value of the 15/16 commodities received will be added to the National School Lunch Program totals to get that year in compliance.

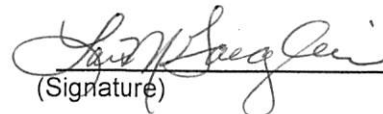
Added internal controls will be implemented to avoid such an omission in the future as follows:

- a) The ledger of receipts for the fiscal year will be reviewed as well as the Federal Grant Award documentation. This will help to identify any "one of a kind" federal awards such as FEMA emergency monies or those not associated to a typical school year grant. Any CFDA # noted from the payee should indicate if it is federal grant in nature. Review of the receipts ledger also allows us to scan the vendor name "source of revenue" to watch for known federal agencies regardless of whether a CFDA # was provided by the entity.
- b) EACS Food Service Dept. will be contacted yearly to obtain information on any federal award/grant received such as the commodities products and the associated value.
- c) The Treasurer has also prepared notes for future SEFA preparation that include the above steps for SEFA reports.

Anticipated Completion Date:

EACS will have the 15/16 SEFA report re-opened, updated and re-submitted by May 31, 2017

Enhanced internal control procedures will be implemented with the next SEFA reporting deadline.


(Signature)

Treasurer
(Title)

May 8, 2017
(Date)

EAST ALLEN COUNTY SCHOOLS
AUDIT RESULT AND COMMENT

PREPAID FOOD CLEARING ACCOUNT

The School Corporation accounts for prepaid food activity within the School Lunch fund. A separate clearing account for the prepaid food activity was not established as prescribed.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, Vol. 211)



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Response to Audit Result and Comment: Prepaid Food Clearing Account

East Allen County Schools Food Service Department will begin using Fund 8400 weekly to post the cash monies received from the Point of Sale system and monthly record the E-Funds on-line credit payment system captures to PrePaid Food Trust accounts. East Allen County Schools Food Service Department will use Fund 8400 monthly to transfer monies out of the PrePaid Food Trust 8400 accounts to the Food Service Account 8000 for those meals actually purchased/consumed. Reconciliation of cash balances for all activities in Fund 8400 will be done at the end of each month.

Anticipated Completion Date: Receipt and Expenditure accounts in Fund 8400 have now been established as of April 28, 2017. Side by side trial testing will be done with March & April business testing current data and cash balances captured against the new Fund 8400 processes. This will ensure we have established all necessary line items in the software for all sites and all revenue types, on-line credit payments and expenditure types and to document instructions for reconciliation process and data to pull the end of a month. Full implementation and active use of Fund 8400 will begin with July 1, 2017 and the 17/18 school year.


(Signature)

Manager of Financial Services
(Title)

May 8, 2017
(Date)

EAST ALLEN COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2017, with Dr. Kenneth H. Folks, Superintendent of Schools; Lois M. Goeglein, Treasurer; Kirby Stahly, Assistant Superintendent of Administrative Services; Robert Nelson Jr., President of the School Board; and Timothy E. Hines, Vice President of the School Board.