

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PENN-HARRIS-MADISON SCHOOL CORPORATION

ST. JOSEPH COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
07/12/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Alex M. Newman	07-01-13 to 06-30-17
Superintendent of Schools	Jerry L. Thacker	07-01-13 to 06-30-18
President of the School Board	K. Jaye Galloway Chris Riley Gary Fox	01-01-13 to 12-31-13 01-01-14 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE PENN-HARRIS-MADISON SCHOOL
CORPORATION, ST. JOSEPH COUNTY, INDIANA

This report is supplemental to our audit report of the Penn-Harris-Madison 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 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.

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

May 8, 2017

PENN-HARRIS-MADISON SCHOOL CORPORATION
FEDERAL FINDINGS

***FINDING 2015-001 - INTERNAL CONTROLS OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

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): 13-7175, 14-7175, 15-7175
Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, and Reporting compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability

The majority of the program expenditures were for payroll and related benefits. There was no evidence of an oversight, review, or approval process to ensure that only Title I teachers' payroll was charged to the Title I grant.

Reporting

The Annual Expenditure Report was prepared without evidence of an oversight, review, or approval process.

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the condition during 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 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 also have 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.

PENN-HARRIS-MADISON 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 2015-002 - INTERNAL CONTROL OVER IMPROVING TEACHER QUALITY STATE GRANTS

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 12-7175, 13-7175, 14-7175,

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed and Period of Availability compliance requirements.

The majority of the program expenditures were for payroll. There was no evidence of an oversight, review, or approval process to ensure that only applicable teachers' payroll was charged to the Improving Teacher Quality State Grants program within the prescribed period.

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the condition during 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.

PENN-HARRIS-MADISON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system 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 also have 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 2015-003 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Numbers and Years (or Other Identifying Numbers): 12-7175, 13-7175, 14-7175
Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation paid full-time employees with the grant and, as a result, was required to prepare and maintain semiannual certifications for these employees; however, the School Corporation was not aware of this requirement and did not complete the required semiannual certifications required for these employees.

Context

The lack of controls and noncompliance was a systemic problem, occurring 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. . . ."

PENN-HARRIS-MADISON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, section 8h(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."

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with 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 to ensure compliance and comply with the Allowable Costs/Cost Principles requirements of the program.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2015-001 – INTERNAL CONTROL OVER TITLE I GRANT TO LOCAL EDUCATIONAL AGENCIES

Contact Person Responsible for Corrective Action: Alex Newman
Contact Phone Number: (574)-258-9591

Description of Corrective Action Plan:

Finding 2015-001 indicates a lack of oversight, review, or approval process pertaining to employees being paid from Title-I funds. Moving forward, a list of employees paid from the Title-I grant fund will be provided to the Title-I Director after each pay date. The Title-I Director will review and confirm the employees being paid from Title-I funds are accurate. That documented confirmation will be forwarded back to the Business Manager and compiled with the other grant documentation.

Finding 2015-001 also indicates a lack of oversight, review, or approval process in regard to the Annual Expenditure Report. Moving forward, the Annual Expenditure Report prepared by the Business Manager will be shared with the Title-I Director. The Title-I Director will review and confirm its accuracy. That documented confirmation will be forward back to the Business Manager prior to submission.

Anticipated Completion Date: June 1st, 2017

Business Manager/Treasurer

May 8th, 2017



CORRECTIVE ACTION PLAN

FINDING 2015-002 – INTERNAL CONTROL OVER ACTIVITIES ALLOWED OR UNALLOWED AND PERIOD OF AVAILABILITY

Contact Person Responsible for Corrective Action: Alex Newman
Contact Phone Number: (574)-258-9591

Description of Corrective Action Plan:

Finding 2015-002 indicates a lack of oversight, review, or approval process pertaining to employees being paid from Title-II funds. Moving forward, a list of employees paid from the Title-II grant fund will be provided to the Title-II Director after each pay date. The Title-II Director will review and confirm the employees being paid from Title-II funds are accurate. That documented confirmation will be forwarded back to the Business Manager and compiled with the other grant documentation.

Anticipated Completion Date: June 1st, 2017

A handwritten signature in black ink, appearing to read "Alex M. Newman", written over a horizontal line.

Business Manager/Treasurer

May 8th, 2017



CORRECTIVE ACTION PLAN

FINDING 2015-003 – ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Alex Newman
Contact Phone Number: (574)-258-9591

Description of Corrective Action Plan:

Finding 2015-003 indicates the School Corporation failed to comply with the Documentation of Employee Time and Effort section of the Allowable Costs/Cost Principles requirements. The School Corporation was required to prepare and maintain semi-annual certifications for full time employees paid from Title-II funds. Moving forward, the Title-II Director will complete and maintain these semi-annual certifications to ensure compliance with the Allowable Costs/Cost Principle requirements of the Title-II grant. Those semi-annual certifications will be forwarded to the Business Manager and compiled with the other Title-II grant documentation.

Anticipated Completion Date: May 8th, 2017

Business Manager/Treasurer

May 8th, 2017

PENN-HARRIS-MADISON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2017, with Jerry L. Thacker, Superintendent of Schools; Denise D. Seeger, Associate Superintendent of Schools; Alex M. Newman, Business Manager/Treasurer; and Larry Beehler, Vice President of the School Board.