

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

GREENCASTLE COMMUNITY SCHOOL CORPORATION

PUTNAM COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
08/28/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jayne Barber	07-01-13 to 06-30-18
Superintendent of Schools	Dawn Puckett Jeffrey L. Hubble (interim) Jeffrey L. Hubble	07-01-13 to 08-24-16 08-25-16 to 02-28-17 03-01-17 to 06-30-20
President of the School Board	Michael White Denise McMains Sigworth	07-01-13 to 06-30-15 07-01-15 to 06-30-18



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE GREENCASTLE COMMUNITY
SCHOOL CORPORATION, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the Greencastle Community 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

June 29, 2017

GREENCASTLE COMMUNITY 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 Director of Finance entered and submitted federal award information into the Indiana Gateway for Government Units financial system, which is the source for the School Corporation's SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the School Corporation to ensure federal award information entered and submitted was correct.

The commodities values for the Child Nutrition Cluster were omitted from the SEFA for both school years. The value of commodities for the 2013-2014 school year was \$67,696 and the value of the commodities for the 2014-2015 school year was \$68,864.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § _____.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:

GREENCASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

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 CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

GREENCASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Reporting and Eligibility.

Eligibility

There were no controls in place to ensure that eligibility determinations were performed when required or accurately. The Food Service Director independently completed the eligibility determinations. There was no segregation of duties, such as oversight, review, or approval process.

Reporting

There were no controls in place to ensure that required reports were accurate and properly filed. The Food Service Director independently prepared the Sponsor Claim (claims for reimbursement) for the Child Nutrition Cluster. There was no segregation of duties, such as an oversight, review, or approval process.

Context

This problem was pervasive 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 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 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.

Questioned Costs

There were no questioned costs identified.

GREENCASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the 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 - PROGRAM INCOME

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 2014, FY 2015

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 compliance requirement for Program Income.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded. An oversight, review, or approval process had not been established.

All monthly receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in a Prepaid Food fund. Due to the method of recordkeeping, Program Income could not be audited for either school year.

Context

Records were not available to determine compliance with the requirement for either year.

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. . . ."

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

GREENCASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured that program income receipts were properly identified and accounted for.

Effect

The failure to establish effective internal controls prevented the determination of compliance with Program Income requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls that would ensure program income records were properly maintained.

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 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

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

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Special Tests and Provisions - Paid Lunch Equity requirements. There were no controls in place to ensure that the paid lunch equity calculations were made as required, or that they were accurate when made. In addition, there were no controls to ensure that meal prices were approved by the School Board. There was not proper segregation of duties, such as an effective oversight, review, or approval process.

The School Corporation did not comply with the Special Tests and Provisions - Paid Lunch Equity requirement. The School Corporation did not perform the necessary calculations for paid lunch equity and the prices charged for meals were not in compliance with the requirement for 2013-2014 school year. The School Board did not review or approve lunch prices for 2013-2014 school year.

Context

Paid lunch equity amounts were not calculated for the 2013-2014 school year.

GREENCASTLE COMMUNITY 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. . . ."

7 CFR 210.14 states in part:

"(a) *Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*). . . ."

(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with Special Tests and Provisions - Paid Lunch Equity requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

GREENCASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. In addition, we recommended that the School Corporation comply with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

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 - CASH MANAGEMENT

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 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management requirements.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Net Cash Resources of the School Lunch fund did not exceed the three months average expenditures. An oversight, review, or approval process has not been established.

The School Lunch fund Net Cash Resources exceeded the 3 month average expenditures for 3 months during all 24 months of the audit period. The 3 months average expenditures of the School Lunch fund for FY 13-14 and FY 14-15 were \$275,074 and \$294,507, respectively. Average cash balances (Net Cash Resources) were \$347,554 and \$329,984 for FY 13-14 and FY 14-15, respectively.

Context

The lack of properly designed or implemented controls and the noncompliance with the Cash Management requirements applied to both years of 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. . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . ."

GREENCASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency: . . ."

7 CFR section 210.14(b) states:

"*Net cash resources.* The School Food Authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with 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.

***FINDING 2015-006 - INTERNAL CONTROL 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): 13-6755; 14-6755; 15-6755

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Eligibility and Special Tests and Provisions - Comparability.

GREENCASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Eligibility

The Title I teachers made the determination of which students were to receive Title I Benefits, but there was no evidence of an internal control such as oversight, review, or approval.

Special Tests and Provisions - Comparability

The School Corporation was completing the Comparability report that is required to be filed biennially; however, there was no evidence of an internal control such as oversight, review, or approval.

Context

Internal control issues were systemic, 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. . . ."

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 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 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 the 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.



GREENCASTLE COMMUNITY SCHOOL CORPORATION

1002 Mill Pond Lane, P.O. Box 480, Greencastle, IN 46135
Phone: 765.653.9771 www.greencastle.k12.in.us Fax: 765.653.1282

Jeffrey Hubble
Superintendent
jhubble@greencastle.k12.in.us
Extension 104

Donovan Garletts
Assistant
Superintendent
dgarletts@greencastle.k12.in.us
Extension 103

Jayme Barber
Finance Director
jbarber@greencastle.k12.in.us
Extension 105

Debbie Carrico
Food Services Director
dcarrico@greencastle.k12.in.us
Extension 116

Daniel Green
Operations Director
dgreen@greencastle.k12.in.us
Extension 129

Cory Hill
Technology Director
chill@greencastle.k12.in.us
Extension 109

Kim Sullivan
Special Services Director
ksullivan@greencastle.k12.in.us
Extension 120

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CORRECTIVE ACTION PLAN

FINDING 2015-001

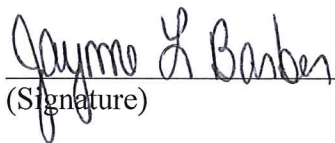
Contact Person Responsible for Corrective Action: Jayme Barber
Contact Phone Number: 765-653-9771

Views of Responsible Official: We acknowledge 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.

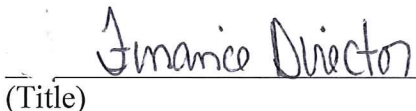
Description of Corrective Action Plan:

The Food Services Director will be contacted yearly by the Finance Director to obtain information on any federal award/grant received, such as the commodities products and associated value. This information will be reported on future SEFA reports and corrected on the 15/16 report.

Anticipated Completion Date: Corrections will be made to the 15/16 SEFA by June 29, 2017, and to future reports as completed.



(Signature)



(Title)



(Date)



GREENCASTLE COMMUNITY SCHOOL CORPORATION

1002 Mill Pond Lane, P.O. Box 480, Greencastle, IN 46135
Phone: 765.653.9771 www.greencastle.k12.in.us Fax: 765.653.1282

CORRECTIVE ACTION PLAN

Jeffrey Hubble
Superintendent
jhubble@greencastle.k12.in.us
Extension 104

Donovan Garletts
Assistant Superintendent
dgarletts@greencastle.k12.in.us
Extension 103

Jayne Barber
Finance Director
jbarber@greencastle.k12.in.us
Extension 105

Debbie Carrico
Food Services Director
dcarrico@greencastle.k12.in.us
Extension 116

Daniel Green
Operations Director
dgreen@greencastle.k12.in.us
Extension 129

Cory Hill
Technology Director
chill@greencastle.k12.in.us
Extension 109

Kim Sullivan
Special Services Director
ksullivan@greencastle.k12.in.us
Extension 120

FINDING 2015-002

Contact Person Responsible for Corrective Action: Jayme Barber
Contact Phone Number: 765-653-9771

Views of Responsible Official: During the audit period the Director of Food Services completed eligibility determinations and Requests for Reimbursement reports for the Child Nutrition Cluster independently.

Description of Corrective Action Plan:

The Director of Food Services will continue to complete eligibility determinations, then the Food Services Assistant will review the eligibility determinations to ensure accuracy, and document said review.


The Food Services Assistant will review Requests for Reimbursement reports for the Child Nutrition Cluster to ensure reports are accurate and properly filed, after completion of the reports by the Director of Food Services.

Anticipated Completion Date: Immediately

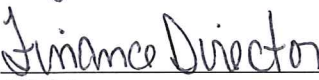
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(Signature)



(Title)



(Date)



GREENCASTLE COMMUNITY SCHOOL CORPORATION

1002 Mill Pond Lane, P.O. Box 480, Greencastle, IN 46135
Phone: 765.653.9771 www.greencastle.k12.in.us Fax: 765.653.1282

CORRECTIVE ACTION PLAN

Jeffrey Hubble
Superintendent
jhubble@greencastle.k12.in.us
Extension 104

Donovan Garletts
Assistant
Superintendent
dgarletts@greencastle.k12.in.us
Extension 103

Jayme Barber
Finance Director
jbarber@greencastle.k12.in.us
Extension 105

Debbie Carrico
Food Services Director
dcarrico@greencastle.k12.in.us
Extension 116

Daniel Green
Operations Director
dgreen@greencastle.k12.in.us
Extension 129

Cory Hill
Technology Director
chill@greencastle.k12.in.us
Extension 109

Kim Sullivan
Special Services Director
ksullivan@greencastle.k12.in.us
Extension 120

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FINDING 2015-003


Contact Person Responsible for Corrective Action: Jayme Barber
Contact Phone Number: 765-653-9771

Views of Responsible Official: All monthly receipts from school lunch sales, as well as prepayments, are currently recorded directly into the School Lunch fund; prepayments are not recorded in a Prepaid Food fund.

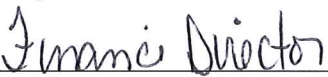
Description of Corrective Action Plan:

Prepaid lunch funds will be receipted into a separate clearing account, called Prepaid Food (8400) when the funds are received. The revenue will be recognized when the student charges the breakfast or lunch and funds will be transferred from the Prepaid Food clearing account (8400) to the Food Service Fund (800).

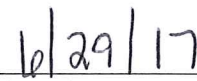
Anticipated Completion Date: July 1, 2017



(Signature)



(Title)



(Date)



GREENCASTLE COMMUNITY SCHOOL CORPORATION

1002 Mill Pond Lane, P.O. Box 480, Greencastle, IN 46135
Phone: 765.653.9771 www.greencastle.k12.in.us Fax: 765.653.1282

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dgarletts@greencastle.k12.in.us
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jbarber@greencastle.k12.in.us
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Food Services Director
dcarrico@greencastle.k12.in.us
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dgreen@greencastle.k12.in.us
Extension 129

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Technology Director
chill@greencastle.k12.in.us
Extension 109

Kim Sullivan
Special Services Director
ksullivan@greencastle.k12.in.us
Extension 120

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FINDING 2015-004

Contact Person Responsible for Corrective Action: Jayme Barber
Contact Phone Number: 765-653-9771

Views of Responsible Official: There is no evidence necessary calculations for paid lunch equity were performed, or that the School Board approved lunch prices for FY 13-14.

Description of Corrective Action Plan:

Greencastle Community School Corporation is now in compliance with the Special Tests and Provisions-Paid Lunch Equity requirement. Necessary calculations are performed for paid lunch equity, and the School Board approves lunch prices.

Anticipated Completion Date: Corrective Action Completed prior to FY 14-15.

Jayme Barber
(Signature)

Finance Director
(Title)

6/29/17
(Date)



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FINDING 2015-005


Contact Person Responsible for Corrective Action: Jayme Barber
Contact Phone Number: 765-653-9771

Views of Responsible Official: We acknowledge the School Lunch Fund balance exceeded the average expenditures for all 24 months of the audit period.

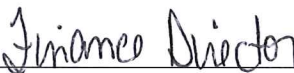
Description of Corrective Action Plan:

The Food Services Director will maintain a spreadsheet to monitor average expenditures on a monthly basis.

Anticipated Completion Date: July 1, 2017.



(Signature)



(Title)



(Date)



GREENCASTLE COMMUNITY SCHOOL CORPORATION

1002 Mill Pond Lane, P.O. Box 480, Greencastle, IN 46135
Phone: 765.653.9771 www.greencastle.k12.in.us Fax: 765.653.1282

Jeffrey Hubble
Superintendent
jhubble@greencastle.k12.in.us
Extension 104

Donovan Garletts
Assistant
Superintendent
dgarletts@greencastle.k12.in.us
Extension 103

Jayme Barber
Finance Director
jbarber@greencastle.k12.in.us
Extension 105

Debbie Carrico
Food Services Director
dcarrico@greencastle.k12.in.us
Extension 116

Daniel Green
Operations Director
dgreen@greencastle.k12.in.us
Extension 129

Cory Hill
Technology Director
chill@greencastle.k12.in.us
Extension 109

Kim Sullivan
Special Services Director
ksullivan@greencastle.k12.in.us
Extension 120

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CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: Mike McHugh
Contact Phone Number: 765-653-3518

Views of Responsible Official: The Title I Grant Administrator currently reviews the listing of which students receive Title I Benefits; however, there has been no written evidence of said review.

Description of Corrective Action Plan:

The Title I Grant Administrator, as Management Personnel, will verify the review of the listing of which students are to receive Title I Benefits by signing and dating the listing.

The Assistant Superintendent will review, sign and date the Comparability report after the report is completed by the Title I Grant Administrator.

Anticipated Completion Date: Immediately

Mike McHugh
(Signature)

Title I Coordinator
(Title)

06/29/17
(Date)

GREENCASTLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID ACCOUNTS

The School Corporation did not comply with state requirements for accounting for program income generated from the operation of the food service program. All monthly receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund. Prepayments were not recorded in a Prepaid Food fund and regularly allocated to the appropriate School Lunch fund during the audit period.

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 Administrator and Uniform Compliance Guidelines, Vol. 211)

GREENCASTLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2017, with Jeffrey L. Hubble, Superintendent of Schools; Donovan M. Garletts, Assistant Superintendent of Schools; Jayme Barber, Treasurer; Denise McMains Sigworth, President of the School Board; and William M. Tobin, School Board member.