

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CLINTON CENTRAL SCHOOL CORPORATION
CLINTON 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	Jaclyn Sheets	07-01-13 to 02-13-15
	(Vacant)	02-14-15 to 04-12-15
	Shann Dunn	04-13-15 to 12-21-15
	MaryAnn Ripperger	12-22-15 to 01-31-16
	April Boone	02-01-16 to 06-30-17
Superintendent of Schools	Dr. Jeff Studebaker	07-01-13 to 02-14-16
	Ralph L. Walker	02-15-16 to 06-30-17
President of the School Board	John Crum	01-01-13 to 12-31-14
	Kevin Boone	01-01-15 to 12-31-15
	John Crum	01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CLINTON CENTRAL SCHOOL
CORPORATION, CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of the Clinton Central 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 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

July 5, 2017

CLINTON CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

The School Corporation had several deficiencies in their internal control system related to financial transactions and reporting in the following areas:

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and investments, receipts, and disbursements. There was turnover in the Treasurer's position during the last six months of the audit period ending June 30, 2015. During that period, bank reconciliations were not completed from December 2014 to May 2015, and receipts and disbursements were not recorded timely. There were no controls over any of these activities.

During our performance of a bank reconciliation at June 30, 2015, it was discovered that the MASE insurance payment for the month of June 2015 of \$109,723 had never been recorded. In addition, there were old outstanding checks totaling \$7,646 that were no longer included on the School Corporation's outstanding check list; however, these items were never receipted back into the fund that originally paid the expense. After adjusting the reconciliation for the unrecorded disbursement and the old outstanding checks, the unidentified difference was a bank balance in excess of the record balance of \$15,344. This was considered immaterial to the financial statement and no adjustments were proposed.

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

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. . . ."

CLINTON CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal control. An evaluation of the School Corporation's internal control had not been conducted.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner.

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 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which is a financial reporting system used to compile the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

CLINTON CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Due to the lack of controls, the following errors occurred on the SEFA:

1. The Child Nutrition Cluster did not include commodities of \$38,470 and \$36,428 for the years ended June 30, 2014 and 2015, respectively.
2. The Special Education Cluster (IDEA) was understated by \$1,811 and \$3,806 for the years ended June 30, 2014 and 2015, respectively.
3. The Title 1 Grants to Local Educational Agencies of \$1,120 was not reported for the year ended June 30, 2014, and was understated by \$6,291 for the year ended June 30, 2015.
4. The Career and Technical Education -- Basic Grants to States was overstated by \$1,366 for the year ended June 30, 2014, and \$17,809 was not reported for the year ended June 30, 2015.
5. The English Language Acquisition State Grants of \$366 was not reported for the year ended June 30, 2015.
6. The Improving Teacher Quality State Grants of \$12,575 was not reported for the year ended June 30, 2015.
7. The Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance grant of \$400 was not reported for the year ended June 30, 2015.

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. . . ."

CLINTON CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states in part:

"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. . . ."

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 were 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 2015-003 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER

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): FY2014, FY2015

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, Equipment and Real Property Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

CLINTON CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management

The School Corporation had not established policies or procedures to ensure that the School Lunch fund cash balance (Net Cash Resources) did not exceed the three months average expenditures.

Equipment and Real Property Management

There were no controls in place to ensure that equipment purchased with School Lunch funds were properly accounted for.

Eligibility

There were no controls in place to ensure the eligibility determinations for Free and Reduced Applications were accurate. One employee was responsible for processing the Free and Reduced Applications including entering the data and determining eligibility.

Program Income

There were no controls in place to ensure program income was properly recorded on the School Corporation's records. Additionally, there was no control in place to ensure the Prepaid Food Account fund agreed to the subsidiary records.

Reporting

There were no controls in place to ensure the Sponsor Claim (claims for reimbursement) or the Annual Financial Report were accurate prior to being submitted.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

There were no controls in place to ensure the Verification of Free and Reduced Price Applications were accurate. One employee was responsible for preparing and processing the verifications.

Special Tests and Provisions - School Food Accounts

There were no controls in place to ensure school food accounts were accurate.

Context

The lack of controls was a systemic problem throughout the audit period. There was no documentation of controls in place in order to test the effectiveness of the controls.

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. . . ."

CLINTON CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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 programs.

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.



Clinton Central School Corporation
P.O. Box 118 – 725 North State Road 29
Michigantown, IN 46057
765-249-2515—765-249-2504 (FAX)

CORRECTIVE ACTION PLAN

FINDING 2015-001 – FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: April Boone
Contact Phone Number: 765-249-2515

The management of Clinton Central School Corporation has reviewed the financial statement finding regarding lack of controls related to financial transactions and reporting. Due to the circumstances described in the finding, there was no way to have or maintain adequate controls. The school corporation has since corrected all of the issues described and has put as many controls in place that our staffing will allow.

June 15, 2017
Anticipated Completion Date

A handwritten signature in black ink that reads "April Boone".

April Boone
Treasurer
June 7, 2017



**Clinton Central School Corporation
P.O. Box 118 – 725 North State Road 29
Michigantown, IN 46057
765-249-2515—765-249-2504 (FAX)**

CORRECTIVE ACTION PLAN

**FINDING 2015-002 – PREPARATION OF THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: April Boone
Contact Phone Number: 765-249-2515

The management of Clinton Central School Corporation has reviewed the financial statement finding regarding lack of controls related to the preparation of the schedule of expenditures. The school corporation has implemented controls in order to ensure accuracy of the schedule before it is submitted.

June 15, 2017
Anticipated Completion Date

A handwritten signature in black ink that reads "April Boone".

April Boone
Treasurer
June 7, 2017



**Clinton Central School Corporation
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Michigantown, IN 46057
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CORRECTIVE ACTION PLAN

FINDING 2015-003 –INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER

Contact Person Responsible for Corrective Action: April Boone
Contact Phone Number: 765-249-2515

The management of Clinton Central School Corporation has reviewed the finding related to lack of controls over the child nutrition cluster. The school corporation has designed and implemented various controls to ensure there is oversight and review of all compliance requirements described within the finding.

June 15, 2017
Anticipated Completion Date


April Boone
Treasurer
June 7, 2017

CLINTON CENTRAL SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The School Corporation's financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn	
	06-30-14	06-30-15
Extra-Curricular Activities	\$ 3,252	\$ 16,432
E-Learning Regional Conference	3,820	1,320
Textbook Rental	-	129,047
Library Fundraiser	-	8,322
E-Learning Donations	-	298
Payroll	-	1,592

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit.

In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

FUND SOURCES AND USES

The School Corporation had accounted for six elementary Extracurricular Account (ECA) funds within the School Corporation's ledger during the audit period. Both the School Corporation and the ECA's transactions were commingled within funds on the School Corporation's ledger. Therefore, ECA funds were used to pay for curricular expense. ECA funds belonging to the elementary were remitted back to them subsequent to the audit period.

Sources and uses of funds should be limited to those authorized by the enabling law, ordinance/ resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Accordingly, with the above references to receipts, all disbursements for educational purposes must be made from school corporation funds and not from extra-curricular funds. (See General Fund, Student Activity Fund and Investments and Investment Income Fund) These include disbursements for building equipment, repairs and maintenance; educational and library materials, supplies and equipment; meeting and conference expense of employees; copiers; and, the repair and maintenance of same. Curricular and extra-curricular, though associated, are totally separate functions and each has a purpose and authorizing statute and must be treated separately. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

APPROPRIATIONS

The records presented for audit indicated expenditures in excess of budgeted appropriations for the Debt Service fund of \$25,182 and \$6,404 for the years ended June 30, 2014 and 2015, respectively.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CLINTON CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 5, 2017, with Ralph L. Walker, Superintendent of Schools; April Boone, Treasurer; Jaclyn Sheets, former Treasurer; John Crum, President of the School Board; Roger Cline, School Board member; and Gina Crenshaw, School Board member.