

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BROWNSBURG COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED

08/29/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dr. Kendall Hendricks Barry Gardner	07-01-12 to 04-01-16 04-02-16 to 06-30-18
Superintendent of Schools	Dr. James Snapp	07-01-12 to 06-30-18
President of the School Board	Mike Runyon Adam Brower	01-01-14 to 12-31-14 01-01-15 to 12-31-17



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BROWNSBURG COMMUNITY SCHOOL
CORPORATION, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Brownsburg Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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 and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

August 7, 2017

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001 - 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): 15-3305, 16-3305

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management and Reporting compliance requirements.

Context

We selected a sample of four Title 1 reimbursement requests submitted during the audit period for testing. The reimbursement requests are prepared by the Special Funding Program Facilitator and reviewed and approved by the Director of Finance prior to the submission of the request. However, each of the reimbursement requests tested did not have sufficient tangible audit evidence to indicate proper management review, oversight, or approval occurred prior to the School Corporation's submission of the requests.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls over the Cash Management and Reporting compliance requirements, which would have prevented, or detected and corrected, material noncompliance.

BROWNSBURG COMMUNITY 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 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 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 Cash Management and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2016-002 - ELIGIBILITY

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): 15-3305, 16-3305

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement. The School Corporation was unable to provide tangible documentation of the student's eligibility review process conducted by the building level staff. Additionally, management had not retained documentation to support the eligibility determinations made during the audit period.

Context

We selected a sample of 40 individuals that received Title I services during the audit period for testing. Building level staff conducted quarterly meetings in which student eligibility was discussed and approved. However, management had not retained the documentation from the quarterly meetings to substantiate the eligibility determinations for 13 of the 40 individuals tested, including students receiving Title 1 services at nonpublic schools.

BROWNSBURG 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary"

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not developed a system of internal controls over the Eligibility compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

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

Questioned Costs

There were no questioned costs identified.

BROWNSBURG 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 Eligibility compliance requirement to ensure that compliance is met and proper supporting documentation is maintained.

Views of Responsible Officials

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

FINDING 2016-003 - SPECIAL TESTS AND PROVISIONS - COMPARABILITY

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): 15-3305, 16-3305

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

Context

All of the annual comparability reports submitted by the School Corporation during the audit period were tested. Management had not implemented an effective internal control to ensure the accuracy of the reports, such as a secondary review, oversight, or approval or other compensating control.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls over the Special Tests and Provisions - Comparability compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 Special Tests and Provisions - Comparability 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 2016-004 - SPECIAL TESTS AND PROVISIONS - HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS

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): 15-3305, 16-3305

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement.

Context

We selected a sample of four Title 1 teachers or paraprofessionals that were hired during the audit period. Building level staff made recommendations to hire certain individuals. Each individual's education and qualifications were verified by the Human Resource Department to ensure the Title I teachers or paraprofessionals were highly qualified. Information was provided to a hiring committee which approved these individuals for hire. However, each one of the individuals tested did not have sufficient tangible audit evidence to substantiate that review or approval had occurred by the hiring committee prior to the School Corporation hiring these individuals.

BROWNSBURG 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls over the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement.

Views of Responsible Officials

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

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-005 - ALLOWABLE COSTS/COST PRINCIPLES

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): 14213-063-PN01, 14214-159-PN01,
14215-159-PN01, 14216-128-PN01,
45714-063-PN01, 45715-159-PN01,
45716-128-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Salaries paid to Special Education teachers for extracurricular activities during the audit period were paid with Special Education federal grant funds, which is not an allowable cost.

Context

We selected a sample of 40 payroll transactions paid with Special Education Grant funds during the audit period. During our testing, we identified 5 out of the 40 transactions in which the employee's extracurricular salaries were improperly charged to the Special Education federal grant. We expanded our testing and found two additional employee's extracurricular salaries also being improperly charged to the Special Education grant.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment A, Part C, states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular.
- c. Be authorized or not prohibited under State or local laws or regulations.
- d. Conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- f. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- g. Except as otherwise provided for in this Circular, be determined in accordance with generally accepted accounting principles.
- h. Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation.
- i. Be the net of all applicable credits.
- j. Be adequately documented. . . ."

2 CFR 200.405(a) states in part:

"A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- (1) Is incurred specifically for the Federal award;
- (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart. . . ."

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls over the Allowable Costs/Cost Principles compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

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

Questioned Costs

The total of known questioned costs is \$13,800.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement to ensure that only allowable costs are charged to the federal program.

Views of Responsible Officials

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

FINDING 2016-006 - ELIGIBILITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3305
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement. The School Corporation is required to determine eligibility of students for the Child Nutrition Free and Reduced Lunch programs. Management had not retained the application population from their electronic system nor had they retained the documentation to support the eligibility determinations made by the electronic system during the audit period.

Context

Since the School Corporation did not retain eligibility populations and the documentation to support the eligibility determinations made by their electronic system, we could not test the requirement of Eligibility for compliance.

BROWNSBURG 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not established an effective system of internal control to ensure that documentation was maintained and made available for audit relating to the Eligibility compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation was maintained and made available for audit relating to the Eligibility 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 2016-007 - REPORTING

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 3305

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. Additionally, our testing revealed that the number of breakfast and lunch meals claimed on the February 2015 reimbursement request were inaccurate.

Context

The School Corporation is required to submit a monthly Sponsor Claim (claims for reimbursement), an Annual Financial Report, and an Annual Verification Summary for the Child Nutrition programs. Based on the testing completed for these required reports, management had not established an internal control to ensure the accuracy of the reports, such as a secondary review, oversight, or approval.

Our testing of the Monthly Claims for Reimbursement revealed inaccurate breakfast and lunch meal counts being claimed for reimbursement for February 2015. Sales and Meal Count Reports for the month total 890 breakfast meals being served, and lunch meals served as 6,420. However, the meal counts reported and claimed for reimbursement through Indiana Department of Education are 2,019 and 7,185, respectively. The breakfast meal counts were overstated by 1,129 meals and the lunch meal counts by 765 meals.

BROWNSBURG 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.7(c) states in part:

"*Reimbursement limitations.* To be entitled to reimbursement under this part, each school food authority shall ensure that Claims for Reimbursement are limited to the number of free, reduced price and paid lunches and meal supplements that are served to children eligible for free, reduced price and paid lunches and meal supplements, respectively, for each day of operation.

(1) *Lunch count system.* To ensure that the Claim for Reimbursement accurately reflects the number of lunches and meal supplements served to eligible children, the school food authority shall, at a minimum: . . .

(iii) Base Claims for Reimbursement on lunch counts, taken daily at the point of service, which correctly identify the number of free, reduced price and paid lunches served to eligible children;

(iv) Correctly record, consolidate and report those lunch and supplement counts on the Claim for Reimbursement; and

(v) Ensure that Claims for Reimbursement do not request payment for any excess lunches produced, as prohibited in §210.10(a)(2), or non-Program lunches (i.e., a la carte or adult lunches) or for more than one meal supplement per child per day. . . ."

Cause

Management had not developed a system of internal controls over the Reporting compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system 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 Reporting 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 2016-008 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 3305

Pass-Through Entity: Indiana Department of Education

Condition

Management of 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 did not complete the Semi-Annual Certifications for food service staff for the 2014-2015 school year.

Context

The School Corporation was required to complete and maintain Semi-Annual Certifications for all full and part-time food service employees, who were expected to work solely within the food service department. During our testing performed, it was determined that the School Corporation did not maintain the Semi-Annual Certifications for the required employees who were paid with Child Nutrition grant funds for the 2014-2015 school 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. . . ."

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, item 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

Management had not developed a system of internal controls over the Allowable Costs/Cost Principles compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance of the grant agreement or compliance requirement could result 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 related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement listed above. We also recommended that the School Corporation complete and maintain the Semi-Annual Certifications for the food service employees.

Views of Responsible Officials

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

FINDING 2016-009 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3305
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Equipment and Real Property Management compliance requirement. Equipment purchased with Child Nutrition federal grant funds during the audit period was not recorded appropriately. The proper federal documentation was not maintained.

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

We reviewed all of the equipment purchases that individually exceeded \$5,000. The School Corporation recorded these items on their capital asset register; however, the appropriate federal information was not documented, including the percentage of federal funds used and the federal program from which it was purchased.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.32 states in part:

". . . (b) . . . Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . ."

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

2 CFR 200.33 states:

"*Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000."

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . .

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

Management had not developed a system of internal controls over the Equipment and Real Property Management compliance requirement, which would have prevented, or detected and corrected, material noncompliance.

Effect

The failure to establish an effective internal control system 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 related to the grant agreement and the Equipment and Real Property Management compliance requirement to ensure that proper documentation is maintained for federally purchased equipment.

Views of Responsible Officials

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

FINDING 2016-010 - SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED LUNCH APPLICATIONS AND PAID LUNCH EQUITY

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 3305

Pass-Through Entity: Indiana Department of Education

BROWNSBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Test and Provision - Verification of Free and Reduced Lunch Applications (NSLP) and the Special Test and Provision - Paid Lunch Equity compliance requirements.

Context

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

Management of the School Corporation completed the required verification process for free and reduced lunch applications and submitted appropriate reports during the audit period. However, the School Corporation had not implemented an effective internal control system to ensure the accuracy of the verification process and required report, such as proper oversight, review, or approval, or other compensating control.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

Management of the School Corporation materially complied with the Paid Lunch Equity requirements for the Child Nutrition federal grant. However, the School Corporation had not implemented an effective internal control system to ensure the accuracy of the paid lunch equity calculations, such as proper oversight, review, or approval, or other compensating control.

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls over the Special Test and Provision - Verification of Free and Reduced Lunch Applications (NSLP) and the Special Test and Provision - Paid Lunch Equity compliance requirements, which would have prevented, or detected and corrected, material noncompliance.

BROWNSBURG COMMUNITY 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 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 Special Test and Provision - Verification of Free and Reduced Lunch Applications and the Special Test and Provision - Paid Lunch Equity compliance requirements.

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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CORRECTIVE ACTION PLAN

FINDING 2016-001 CASH MANAGEMENT AND REPORTING

Contact Person Responsible for Corrective Action: Coordinator of Curriculum & Special Programs
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding. This process of review was in place during this audit period. The issue of tangible audit evidence was not made aware to BCSC in the previous audit completed just over a year ago. The issue at hand was not due to a lack of internal controls, but simply a lack of tangible evidence of internal controls.

Description of Corrective Action Plan:

1. The Director of Finance designee will prepare a spreadsheet summarizing the expenses for the month for the Title I program. That spreadsheet would be sent to the Coordinator of Curriculum and Special Programs for review.
2. The Coordinator of Curriculum and Special Programs will review the data and the Coordinator of Curriculum and Special Programs will reply to each email verifying the accuracy of each Federal program prior to the reimbursement request.
3. The Director of Finance will finalize the review process prior to signing off on submission of the report.
4. The Business Office will also print the email verification and sign offs and attach printed copies to the request for reimbursement.

Anticipated Completion Date: Corrective action began in April 2017 with email verification on reimbursement requests prior to submission of request.

FINDING 2016-002 - ELIGIBILITY

Contact Person Responsible for Corrective Action: Coordinator of Curriculum & Special Programs
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding. This process of review was in place during this audit period. The issue of tangible audit evidence was not made aware to BCSC in the previous audit completed just over a year ago. The issue at hand was not due to a lack of internal controls, but simply a lack of tangible evidence of internal controls. Feedback from an Indiana Department of Education on a site monitoring visit in February 2015 indicated that the procedure for selecting students during building PLC meetings was adequate. However, copies of PLC agendas were not available for the audit team to review along with the data information that was provided. After discussion with the audit team, the Coordinator of Curriculum and Special Programs met with principals of Title I schools on June 7, 2017 to discuss needed documentation for eligibility of students.



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Description of Corrective Action Plan:

1. Principals will work with grade level teacher teams to gather the PLC agenda notes each time an eligibility determination is made.
2. These notes will be collected for the school year and passed to the Coordinator of Curriculum and Special Programs at the end of each school year for future audit review.

Anticipated Completion Date: Process begins with the 2017-2018 School Year

FINDING 2016-003 – SPECIAL TESTS AND PROVISIONS - COMPARABILITY

Contact Person Responsible for Corrective Action: Coordinator of Curriculum & Special Programs
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. The Coordinator of Curriculum and Special Programs will compile the data and prepare the report on an annual basis. Additionally, this individual will sign off on the accuracy of the report.
2. The report will then be submitted to the Assistant Superintendent for Curriculum who will review the data and sign off on the accuracy of the report.
3. Beginning with the 2017 Comparability Report, 2 signatures will be affixed to each report as a secondary review/oversight to ensure accuracy.

Anticipated Completion Date: October 2017



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FINDING 2016-004 SPECIAL TESTS AND PROVISIONS – HIGHLY QUALIFIED TEACHERS AND PARAPROFESSIONALS

Contact Person Responsible for Corrective Action: Coordinator of Curriculum and Special Program
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

1. The Coordinator of Curriculum and Special Programs will review the potential list of staff to be paid through Title I funding. The Coordinator of Curriculum and Special Programs will review the list for any potential staff who do not qualify as Highly Qualified Teachers and Para professionals.
2. The Coordinator of Curriculum and Special Programs will then submit the list to the Director of Human Resources for review.
3. Prior to any staff being paid through Title I funding, the Coordinator of Curriculum and Special Programs will confer with the Human Resources Director to ensure that certified and non-certified staff have appropriate documentation on file as proof of Highly Qualified status.
4. The Director of Human Resources will review the list and verify the staff have appropriate documentation on file as proof of Highly Qualified status.
5. Beginning with the 2017-2018 school year, that secondary oversight will include an email verification for documentation purposes.

Anticipated Completion Date: October 2017

FINDING 2016-005 ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Director of Finance
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

1. Human Resources has prepared a report detailing the finding and the dollars used to pay ECA stipends out of the Special Education grant funding.
2. Human Resources then in coordination with the Director of Special Education transferred the monies incorrectly paid out of the Special Education grant back into the correct, corresponding year Special Education grant to reimburse those dollars.
3. Human Resources then corrected the distribution codes of the ECA dollars associated with these staff members so this issue would be resolved and not continue forward for those individuals identified.
4. Human Resources in conjunction with the Director of Finance will ensure that all ECA dollars are paid out of the General Fund for all staff moving forward.
5. Moving forward, any new staff hired that will be paid out of a special education grant, federal grant, or similar program will be reviewed by the Human Resources department.



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6. The Human Resources department will then make a recommendation of what distribution codes each staff member will be paid from for the following year to the Director of Finance.
7. The Director of Finance will review the recommendation and approve any final changes made to the distribution codes associated with these staff members.
8. The Director of Finance will respond in a tangible manner to the request from Human Resources on all final changes made to distribution codes associated with these staff members.

Anticipated Completion Date: July 2017

FINDING 2016-006 ELIGIBILITY

Contact Person Responsible for Corrective Action: Nutrition Services Coordinator
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

1. The Nutrition Services Department will keep a copy of each letter sent to families for indication of eligibility determination, as well as prepare an electronic report at the end of each school year that details the application population for that school year.
2. The Nutrition Services Coordinator will review the data and sign off of the accuracy of the report.
3. Prior to submission, the Nutrition Services Coordinator will submit the report to the Chief Operations Officer for review and sign off.

Anticipated Completion Date: October 2017

FINDING 2016-007 REPORTING

Contact Person Responsible for Corrective Action: Nutrition Services Coordinator
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

1. The Nutrition Services Coordinator will review and verify the Monthly Claim for Reimbursement prior to submission.
2. The Nutrition Services Coordinator will send the Monthly Claim to the Chief Operations Officer for review and approval prior to submission.
3. Once the Chief Operations Officer reviews and signs off on the Monthly Claim, the Nutrition Services Coordinator will submit the Monthly Claim.

Anticipated Completion Date: August 2017



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FINDING 2016-008 ALLOWABLE COSTS/PRINCIPLES

Contact Person Responsible for Corrective Action: Nutrition Services Coordinator
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

1. The Nutrition Services Coordinator will maintain Semi-Annual Certifications for all full and part time food services employees.
2. The Nutrition Services Coordinator will report these Certifications to the Chief Operations Officer to ensure compliance.
3. Prior to submission, the Nutrition Services Coordinator will submit the report to the Chief Operations Officer for review and sign off.

Anticipated Completion Date: August 2017

FINDING 2016-009 EQUIPMENT AND REAL PROPERTY

Contact Person Responsible for Corrective Action: Nutrition Services Coordinator
Contact Phone Number: 317-852-5726

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

1. The Nutrition Services Coordinator will maintain a database of all equipment purchases that exceed \$5,000.
2. The Nutrition Services Coordinator will forward this information to the Director of Finance to be included in the corporation asset management program.
3. The Nutrition Services Coordinator and Director of Finance will work cooperatively to calculate the percentage of federal funds used and the federal program from which the equipment was purchased in order to maintain compliance with the Equipment and Real Property Management guidelines.

Anticipated Completion Date: August 2017



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FINDING 2016-010 SPECIAL TESTS AND PROVISIONS

Contact Person Responsible for Corrective Action: Nutrition Services Coordinator

Views of Responsible Official: We concur with finding.

Description of Corrective Action Plan:

1. Nutrition Services Coordinator will collect verification data from families randomly selected by WebSmart program verify for Verification process.
2. Nutrition Services Coordinator will enter the results back into WebSmart program.
3. Nutrition Services Coordinator will print verification summary report from WebSmart which will then be used to enter the information into the DOE Verification process.
4. Prior to submission, the Nutrition Services Coordinator will print off both the WebSmart report and the DOE submission report to be verified by the Chief Operations Officer.
5. Once the reports have been verified for accuracy and signed off by the Chief Operations Officer, the Nutrition Services Coordinator will submit the report.
6. Nutrition Services Coordinator will collect the Paid Lunch Equity data and prepare DOE report for submission.
7. Prior to submission, the Nutrition Services Coordinator will submit the report to the Chief Operations Officer for review and sign off.

Anticipated Completion Date: August 2017

BROWNSBURG COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INPUT CONTROLS

While developing the population for vendor disbursements compliance testing, we noted 86 instances of duplicate check numbers issued during the audit period. The School Corporation's computerized financial management system did not have proper input controls in place to ensure duplication would not occur.

These controls are designed to provide reasonable assurance that data received or computer processing is appropriately authorized and converted into a machine-sensible form and that data is not lost, suppressed, added, duplicated, or improperly changed. Computerized input controls include data checks and validation procedures such as check digits, records counts, hatch totals, and batch financial tools, while computerized edit routines - which are designed to detect data errors - include valid character tests, missing data tests, sequence tests, and limit or reasonable tests. (Accounting and Uniform Compliance Guidelines Manual for Political Subdivisions - Information Technology)

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. . . ."

ADVANCE PAYMENTS

The School Corporation paid \$698 of compensation to an employee in advance of the actual date the services were provided.

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 1)

BROWNSBURG COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

The Surety Bonds for the School Corporation were made payable to the Brownsburg Community School Corporation rather than the State of Indiana.

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

CURRICULUM RENTAL CHARGES

The School Corporation charged fee rates for curricular materials greater than 25 percent of the retail price of the curricular materials as allowable per Indiana Code. We found instances where fees charged for textbooks were at a rate of 33 percent of the retail price of the textbooks.

A similar comment appeared in the prior report.

Indiana Code 20-26-12-2(a) states in part:

"A governing board may purchase from a publisher any curricular material selected . . . the governing body may rent the curricular materials to students . . . The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials. . . the governing body may not assess a rental fee of more than twenty-five percent (25%) of the retail price of curricular materials. . . ."

ECA FEE REMITTANCES

The Extra-Curricular Treasurers of the Brownsburg High School, Brownsburg West Middle School, and Brownsburg Eagle Middle School did not remit the collections of the educational fees to the School Corporation's Central Office on a timely basis. Remittances, in some instances, were held for periods in excess of 2 months and, in some cases, accumulated to over \$50,000.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

BROWNSBURG COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2017, with Dr. James Snapp, Superintendent of Schools; Barry Gardner, Director of Finance and Treasurer; Adam Brower, President of the School Board; Tracy Boss, Deputy Treasurer; Jordan Ryan, Nutrition Coordinator; and Jodi Gordon, Director of Human Resources.