

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
EASTBROOK COMMUNITY SCHOOL CORPORATION
GRANT COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
09/23/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa M. Baker	07-01-14 to 06-30-18
Superintendent of Schools	Brett T. Garrett	07-01-14 to 06-30-18
President of the School Board	Greg Brankle Dan Spencer Roger A. Richards	01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
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TO: THE OFFICIALS OF THE EASTBROOK COMMUNITY SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the Eastbrook 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 Finding, identified in the above referenced audit report, is included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Finding and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

August 10, 2017

EASTBROOK COMMUNITY SCHOOL CORPORATION
FEDERAL FINDING

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior report. The prior audit finding number was 2014-001.

Condition

The School Corporation did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation relied on one employee, the School Corporation Treasurer, to compile the SEFA with no oversight, approval or other compensating control.

Context

This was a systemic issue, occurring throughout the audit period.

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.

EASTBROOK COMMUNITY SCHOOL CORPORATION
FEDERAL FINDING
(Continued)

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. . . ."

Cause

Management of the School Corporation 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 could have remained undetected.

Recommendation

We recommend that the School Corporation's management establish a system of internal control that would ensure adequate segregation of duties over the preparation of the SEFA.

Views of Responsible Officials

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



EASTBROOK COMMUNITY SCHOOLS CORP.

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EastbrookSchools.net

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Lisa Baker, Business Manager
Contact Phone Number: 765-664-0624

Views of the Responsible Official:

Review of all documentation supporting the Schedule's contents for accuracy and completeness prior to the Schedule's submission is part of the desired internal control environment for which the Administration of the school district is continually striving. It is important for the individual who will review the documentation to also receiving training in the preparation of the Schedule. It is the intent of the Business Manager to provide this training prior to the submission of the 2016-2017 Schedule.

Description of Corrective Action Plan:

Each year, a list of all federal awards will be compiled with the assistance of the Special Services Director, the Curriculum Coordinator, and the Food Service Director.

The Business Manager will prepare the Schedule of Expenditures of Federal Awards as required at the end of each fiscal year. The Deputy Treasurer will be provided with the list of all federal awards for the fiscal year and will review all documentation supporting the Schedule's contents for accuracy and completeness prior to the Schedule's submission.

Anticipated Completion Date: August 25, 2017

Lisa M Baker

Signature

Business Manager

Title

August 10, 2017

Date

EASTBROOK COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

APPROPRIATIONS

Expenditures exceeded budgeted appropriations for the Retirement/Severance Bond fund by \$50,000 for the year 2014.

A similar comment appeared in prior Report B44881.

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."

EASTBROOK COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2017, with Brett T. Garrett, Superintendent of Schools; Lisa M. Baker, Treasurer; and Roger A. Richards, President of the School Board.