

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
MARION COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
09/26/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michelle Smith	07-01-13 to 12-31-17
Executive Director	Dr. Mary Ann Dewan	07-01-13 to 10-18-13
	Dr. Michele Moore	10-19-13 to 06-30-14
	Dr. Kevin Caress	07-01-14 to 06-30-18
President of the Advisory Board	Dr. Robert Taylor	07-01-13 to 06-30-14
	Dr. Paul Kaiser	07-01-14 to 06-30-17
	Dr. Michele Moore	07-01-17 to 06-30-19



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, MARION COUNTY, INDIANA

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the Central Indiana Educational Service Center (Service Center), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Service Center's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the Service Center prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Service Center for the period of July 1, 2013 to June 30, 2015.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Service Center for the period of July 1, 2013 to June 30, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Service Center's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Service Center's financial statement. The Combining Schedules of Receipts, Disbursements, Other Financing Sources (Uses), and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated September 13, 2017, on our consideration of the Service Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

September 13, 2017



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, MARION COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Central Indiana Educational Service Center (Service Center), which comprises the financial position and results of operations for the period of July 1, 2013 to June 30, 2015, and the related notes to the financial statement, and have issued our report thereon dated September 13, 2017, wherein we noted the Service Center followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Service Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Service Center's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Service Center's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Service Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Service Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

September 13, 2017

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Service Center. The financial statement and notes are presented as intended by the Service Center.

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CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
STATEMENT OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended June 30, 2014 and 2015

Fund	Cash and Investments 07-01-13	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-14	Receipts	Disbursements	Other Financing Sources (Uses)	Cash and Investments 06-30-15
General	\$ 1,141,978	\$ 6,531,281	\$ 6,213,389	\$ (18,395)	\$ 1,441,475	\$ 7,458,415	\$ 6,236,982	\$ (44,828)	\$ 2,618,081
School Transportation	-	-	-	-	-	-	-	-	-
Post-Retirement/Severance Future Benefits	20,000	-	-	20,000	40,000	-	3,216	20,000	56,784
School Lunch	-	-	-	-	-	-	-	-	-
Repair and Replacement	-	13,897	4,650	-	9,247	3,690	3,923	-	9,014
Self-Insurance	20,000	-	-	20,000	40,000	-	-	25,000	65,000
Joint Purchases	9,508	11,592	2,800	-	18,300	-	10,875	-	7,425
PATINS Sub-Grant	20,136	-	-	(20,136)	-	-	-	-	-
Drivers Education Donation	7,550	-	-	-	7,550	-	-	-	7,550
IOA Scholarship Donations	411	81	-	-	492	493	-	-	985
Teacher Quality Improvement Program	-	-	-	-	-	-	-	-	-
School Technology	-	13,820	8,472	-	5,348	14,511	14,302	-	5,557
Technology Grants [IC 20-40-15]	-	-	-	-	-	-	-	-	-
21st Century Scholars	-	241,705	167,611	-	74,094	251,209	325,302	-	1
ISD Contract	1	46,850	27,017	-	19,834	-	1,500	-	18,334
DOE Math Summit	1	19,400	11,652	-	7,749	-	593	-	7,156
Challenger Center	-	174,546	174,546	-	-	200,241	200,241	-	-
PATINS Project	1	2,968,818	2,968,818	-	1	3,066,786	3,066,786	-	1
PATINS Sub-Grant II	20,164	86,566	61,192	-	45,538	58,195	91,154	-	12,579
SES Program	15,322	240,340	11,324	-	244,338	730	-	-	245,068
Clearing Control	6,036	747,771	748,679	-	5,128	760,378	749,113	-	16,393
<b>Totals</b>	<b>\$ 1,261,108</b>	<b>\$ 11,096,667</b>	<b>\$ 10,400,150</b>	<b>\$ 1,469</b>	<b>\$ 1,959,094</b>	<b>\$ 11,814,649</b>	<b>\$ 10,703,987</b>	<b>\$ 172</b>	<b>\$ 3,069,928</b>

The notes to the financial statement are an integral part of this statement.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

Service Center, as used herein, shall include, but is not limited to, the following: school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The Service Center was established under the laws of the State of Indiana. The Service Center operates under a Board of School Trustees form of government and provides educational services.

The accompanying financial statement presents the financial information for the Service Center.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Local sources.* Amounts received from taxes, revenue from local governmental units other than Service Centers, transfer tuition, transportation fees, investment income, food services, Service Center activities, revenue from community service activities, and other revenue from local sources.

*State sources.* Amounts received as distributions from the State of Indiana that are to be used by the Service Center for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the Service Center.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Federal sources.* Amounts received as distributions from the federal government that are to be used by the Service Center for various purposes, including, but not limited to, the following: unrestricted grants, restricted grants, revenue in lieu of taxes, and revenue for or on behalf of the Service Center.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: return of petty cash, return of cash change, insurance claims for losses, sale of securities, and other receipts not listed in another category above.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Instruction.* Amounts disbursed for regular programs, special programs, adult and continuing education programs, summer school programs, enrichment programs, remediation, and payments to other governmental units.

*Support services.* Amounts disbursed for support services related to students, instruction, general administration, school administration, outflows for central services, operation and maintenance of plant services, and student transportation.

*Facilities acquisition and construction.* Amounts disbursed for the acquisition, development, construction, and improvement of new and existing facilities.

*Nonprogrammed charges.* Amounts disbursed for donations to foundations, securities purchased, indirect costs, scholarships, and self-insurance payments.

*Interfund loans.* Amounts temporarily transferred from one fund to a depleted fund for use in paying current operating expenses. Such advancement shall not be made for a period extending beyond the budget year.

*F. Other Financing Sources and Uses*

Other financing sources and uses are presented in the aggregate on the face of the financial statement. The aggregate other financing sources and uses include the following:

*Sale of capital assets.* Amounts received when land, buildings, or equipment owned by the Service Center are sold.

*Transfers in.* Amounts received by one fund as a result of transferring money from another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

*Transfers out.* Amounts paid by one fund to another fund. The transfers are used for cash flow purposes as provided by various statutory provisions.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Service Center. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Service Center. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Service Center in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Service Center submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to July 1, the governing board approves the budget for the next year.

**Note 3. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Service Center to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 4. Risk Management**

The Service Center may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Service Center to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Pension Plans**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Service Center authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

*B. Teachers' Retirement Fund*

*Plan Description*

The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in TRF. State statute (IC 5-10.2) governs, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and gives the Service Center authority to contribute to the plan. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The Service Center may elect to make the contributions on behalf of the member.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the TRF plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
One North Capitol, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 286-3544

*Funding Policy and Annual Pension Cost*

The Service Center contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The Service Center currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

#### OTHER INFORMATION - UNAUDITED

The Service Center's Financial Reports can be found on the Indiana Department of Education website: <http://www.doe.in.gov/finance/school-financial-reports>. This website is maintained by the Indiana Department of Education. More current financial information is available from the Service Center Treasurer's office. Additionally, some financial information of the Service Center can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Service Center's Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the Service Center. It is presented as intended by the Service Center.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014

	General	School Transportation	Post- Retirement/ Severance Future Benefits	School Lunch	Repair and Replacement	Self- Insurance	Joint Purchases	PATINS Sub-Grant
Cash and investments - beginning	\$ 1,141,978	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 9,508	\$ 20,136
Receipts:								
Local sources	6,220,576	-	-	-	9,168	-	11,592	-
State sources	986	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund Loans	309,719	-	-	-	-	-	-	-
Other receipts	-	-	-	-	4,729	-	-	-
Total receipts	<u>6,531,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,897</u>	<u>-</u>	<u>11,592</u>	<u>-</u>
Disbursements:								
Instruction	1,131,433	-	-	-	4,650	-	-	-
Support services	4,386,665	-	-	-	-	-	2,800	-
Facilities acquisition and construction	83,186	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	612,105	-	-	-	-	-	-	-
Total disbursements	<u>6,213,389</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,650</u>	<u>-</u>	<u>2,800</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>317,892</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,247</u>	<u>-</u>	<u>8,792</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	1,469	-	-	-	-	-	-	-
Transfers in	20,136	-	20,000	-	-	20,000	-	-
Transfers out	(40,000)	-	-	-	-	-	-	(20,136)
Total other financing sources (uses)	<u>(18,395)</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>(20,136)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>299,497</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>9,247</u>	<u>20,000</u>	<u>8,792</u>	<u>(20,136)</u>
Cash and investments - ending	<u>\$ 1,441,475</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ 9,247</u>	<u>\$ 40,000</u>	<u>\$ 18,300</u>	<u>\$ -</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	Drivers Education Donation	IOA Scholarship Donations	Teacher Quality Improvement Program	School Technology	Technology Grants [IC 20-40-15]	21st Century Scholars	ISD Contract
Cash and investments - beginning	\$ 7,550	\$ 411	\$ -	\$ -	\$ -	\$ -	\$ 1
Receipts:							
Local sources	-	81	-	-	-	241,705	46,850
State sources	-	-	-	13,820	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund Loans	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>81</u>	<u>-</u>	<u>13,820</u>	<u>-</u>	<u>241,705</u>	<u>46,850</u>
Disbursements:							
Instruction	-	-	-	-	-	-	20,982
Support services	-	-	-	8,472	-	167,611	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	6,035
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,472</u>	<u>-</u>	<u>167,611</u>	<u>27,017</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>81</u>	<u>-</u>	<u>5,348</u>	<u>-</u>	<u>74,094</u>	<u>19,833</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>81</u>	<u>-</u>	<u>5,348</u>	<u>-</u>	<u>74,094</u>	<u>19,833</u>
Cash and investments - ending	<u>\$ 7,550</u>	<u>\$ 492</u>	<u>\$ -</u>	<u>\$ 5,348</u>	<u>\$ -</u>	<u>\$ 74,094</u>	<u>\$ 19,834</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2014  
 (Continued)

	DOE Math Summit	Challenger Center	PATINS Project	PATINS Sub-Grant II	SES Program	Clearing Control	Totals
Cash and investments - beginning	\$ 1	\$ -	\$ 1	\$ 20,164	\$ 15,322	\$ 6,036	\$ 1,261,108
Receipts:							
Local sources	-	116,442	184	86,566	340	747,771	7,481,275
State sources	19,400	-	-	-	-	-	34,206
Federal sources	-	-	2,414,633	-	-	-	2,414,633
Interfund Loans	-	58,104	554,001	-	240,000	-	1,161,824
Other receipts	-	-	-	-	-	-	4,729
Total receipts	19,400	174,546	2,968,818	86,566	240,340	747,771	11,096,667
Disbursements:							
Instruction	-	172,895	-	-	-	748,679	2,078,639
Support services	8,362	1,651	2,428,423	61,192	11,324	-	7,076,500
Facilities acquisition and construction	-	-	-	-	-	-	83,186
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	3,290	-	540,395	-	-	-	1,161,825
Total disbursements	11,652	174,546	2,968,818	61,192	11,324	748,679	10,400,150
Excess (deficiency) of receipts over disbursements	7,748	-	-	25,374	229,016	(908)	696,517
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	1,469
Transfers in	-	-	-	-	-	-	60,136
Transfers out	-	-	-	-	-	-	(60,136)
Total other financing sources (uses)	-	-	-	-	-	-	1,469
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	7,748	-	-	25,374	229,016	(908)	697,986
Cash and investments - ending	\$ 7,749	\$ -	\$ 1	\$ 45,538	\$ 244,338	\$ 5,128	\$ 1,959,094

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015

	General	School Transportation	Post- Retirement/ Severance Future Benefits	School Lunch	Repair and Replacement	Self- Insurance	Joint Purchases	PATINS Sub-Grant
Cash and investments - beginning	\$ 1,441,475	\$ -	\$ 40,000	\$ -	\$ 9,247	\$ 40,000	\$ 18,300	\$ -
Receipts:								
Local sources	6,828,503	-	-	-	-	-	-	-
State sources	986	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-
Interfund Loans	612,105	-	-	-	-	-	-	-
Other receipts	16,821	-	-	-	3,690	-	-	-
Total receipts	<u>7,458,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:								
Instruction	1,160,092	-	-	-	3,923	-	-	-
Support services	4,314,294	-	3,216	-	-	-	10,875	-
Facilities acquisition and construction	119,205	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-	-
Interfund loans	643,391	-	-	-	-	-	-	-
Total disbursements	<u>6,236,982</u>	<u>-</u>	<u>3,216</u>	<u>-</u>	<u>3,923</u>	<u>-</u>	<u>10,875</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,221,433</u>	<u>-</u>	<u>(3,216)</u>	<u>-</u>	<u>(233)</u>	<u>-</u>	<u>(10,875)</u>	<u>-</u>
Other financing sources (uses):								
Sale of capital assets	172	-	-	-	-	-	-	-
Transfers in	-	-	20,000	-	-	25,000	-	-
Transfers out	(45,000)	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(44,828)</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>1,176,605</u>	<u>-</u>	<u>16,784</u>	<u>-</u>	<u>(233)</u>	<u>25,000</u>	<u>(10,875)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,618,081</u>	<u>\$ -</u>	<u>\$ 56,784</u>	<u>\$ -</u>	<u>\$ 9,014</u>	<u>\$ 65,000</u>	<u>\$ 7,425</u>	<u>\$ -</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	Drivers Education Donation	IOA Scholarship Donations	Teacher Quality Improvement Program	School Technology	Technology Grants [IC 20-40-15]	21st Century Scholars	ISD Contract
Cash and investments - beginning	\$ 7,550	\$ 492	\$ -	\$ 5,348	\$ -	\$ 74,094	\$ 19,834
Receipts:							
Local sources	-	493	-	-	-	244,344	-
State sources	-	-	-	14,511	-	-	-
Federal sources	-	-	-	-	-	-	-
Interfund Loans	-	-	-	-	-	6,865	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>-</u>	<u>493</u>	<u>-</u>	<u>14,511</u>	<u>-</u>	<u>251,209</u>	<u>-</u>
Disbursements:							
Instruction	-	-	-	-	-	-	1,500
Support services	-	-	-	14,302	-	325,302	-
Facilities acquisition and construction	-	-	-	-	-	-	-
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,302</u>	<u>-</u>	<u>325,302</u>	<u>1,500</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>493</u>	<u>-</u>	<u>209</u>	<u>-</u>	<u>(74,093)</u>	<u>(1,500)</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>493</u>	<u>-</u>	<u>209</u>	<u>-</u>	<u>(74,093)</u>	<u>(1,500)</u>
Cash and investments - ending	<u>\$ 7,550</u>	<u>\$ 985</u>	<u>\$ -</u>	<u>\$ 5,557</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 18,334</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, OTHER FINANCING SOURCES (USES), AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended June 30, 2015  
 (Continued)

	DOE Math Summit	Challenger Center	PATINS Project	PATINS Sub-Grant II	SES Program	Clearing Control	Totals
Cash and investments - beginning	\$ 7,749	\$ -	\$ 1	\$ 45,538	\$ 244,338	\$ 5,128	\$ 1,959,094
Receipts:							
Local sources	-	127,717	91	58,195	730	760,378	8,020,451
State sources	-	-	-	-	-	-	15,497
Federal sources	-	-	2,502,693	-	-	-	2,502,693
Interfund Loans	-	72,524	564,002	-	-	-	1,255,497
Other receipts	-	-	-	-	-	-	20,511
Total receipts	<u>-</u>	<u>200,241</u>	<u>3,066,786</u>	<u>58,195</u>	<u>730</u>	<u>760,378</u>	<u>11,814,649</u>
Disbursements:							
Instruction	-	141,538	-	-	-	749,113	2,056,166
Support services	593	600	2,512,785	91,154	-	-	7,273,121
Facilities acquisition and construction	-	-	-	-	-	-	119,205
Nonprogrammed charges	-	-	-	-	-	-	-
Interfund loans	-	58,103	554,001	-	-	-	1,255,495
Total disbursements	<u>593</u>	<u>200,241</u>	<u>3,066,786</u>	<u>91,154</u>	<u>-</u>	<u>749,113</u>	<u>10,703,987</u>
Excess (deficiency) of receipts over disbursements	<u>(593)</u>	<u>-</u>	<u>(0)</u>	<u>(32,959)</u>	<u>730</u>	<u>11,265</u>	<u>1,110,662</u>
Other financing sources (uses):							
Sale of capital assets	-	-	-	-	-	-	172
Transfers in	-	-	-	-	-	-	45,000
Transfers out	-	-	-	-	-	-	(45,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(593)</u>	<u>-</u>	<u>(0)</u>	<u>(32,959)</u>	<u>730</u>	<u>11,265</u>	<u>1,110,834</u>
Cash and investments - ending	<u>\$ 7,156</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 12,579</u>	<u>\$ 245,068</u>	<u>\$ 16,393</u>	<u>\$ 3,069,928</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF PAYABLES AND RECEIVABLES  
June 30, 2015

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 348,676</u>	<u>\$ 563,794</u>

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF CAPITAL ASSETS  
June 30, 2015

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Machinery, equipment, and vehicles	<u>\$ 826,587</u>
Total capital assets	<u><u>\$ 826,587</u></u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CENTRAL INDIANA EDUCATIONAL  
SERVICE CENTER, MARION COUNTY, INDIANA

**Report on Compliance for the Major Federal Program**

We have audited the Central Indiana Educational Service Center's (Service Center) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of July 1, 2013 to June 30, 2015. The Service Center's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Service Center's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Service Center's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Opinion on the Major Federal Program***

In our opinion, the Service Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2013 to June 30, 2015.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001. Our opinion on the major federal program is not modified with respect to these matters.

The Service Center's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Service Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the Service Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Service Center's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control over compliance.


Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be material weaknesses.

The Service Center's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Service Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

September 13, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Service Center. The schedule and notes are presented as intended by the Service Center.

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CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2014 and 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient 06-30-14	Total Federal Awards Expended 06-30-14	Pass-Through To Subrecipient 06-30-15	Total Federal Awards Expended 06-30-15
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education_Grants to States	Indiana Department of Education	84.027					
PATINS Project/State-Wide			A58-1-11DL-001	\$ -	\$ 518,386	\$ -	\$ -
PATINS Project/State-Wide			A58-4-14DL-1677	-	1,896,245	-	2,480,253
				-	2,414,631	-	2,480,253
Total - Special Education Cluster (IDEA)				-	2,414,631	-	2,480,253
Total - Department of Education				-	2,414,631	-	2,480,253
Total federal awards expended				\$ -	\$ 2,414,631	\$ -	\$ 2,480,253

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CENTRAL INDIANA EDUCATION SERVICE CENTER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Central Indiana Educational Service Center (Service Center) under programs of the federal government for the years ended June 30, 2014 and 2015. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Service Center, it is not intended to and does not present the financial position of the Service Center.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of Service Center shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weakness identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Program:

\_\_\_\_\_ Name of Federal Program or Cluster

Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2015-001**

Subject: Special Education\_Grants to States - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Special Education\_Grants to States  
CFDA Number: 84.027  
Federal Award Numbers and Years (or Other Identifying Numbers): A58-1-11DL-001, A58-4-14DL-1677  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

CENTRAL INDIANA EDUCATIONAL SERVICE CENTER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

An effective internal control system was not in place at the Service Center in order to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

There were no control procedures identified related to the preparation of Semi-Annual Certifications. Semi-Annual Certifications for employees who worked solely on the Special Education program were not presented for audit.

*Context*

The lack of controls and noncompliance were systemic problems during the period audited.

*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. . . ."

OMB Circular A-87, Attachment B, section 8h(3) states in part:

"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 that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective internal control system resulted in the Service Center's noncompliance with the grant agreement and the compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the Service Center's management establish controls related to the grant agreement and requirements related to Semi-Annual Certifications to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Service Center. The documents are presented as intended by the Service Center.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FINDING 2013-2 - INTERNAL CONTROLS OVER CASH MANAGEMENT AND REPORTING**

Fiscal year in which the finding initially occurred: 2011-12 and 2012-13  
 Pass-Through Entity: Indiana Department of Education  
 Contact Person Responsible for Corrective Action: Dr. Kevin Caress  
 Contact Phone Number: 317-759-5547

Federal Agency: Department of Education  
 Federal Program: Special Education - Grants to States  
 CFDA Number: 84.027  
 Federal Award Number and Year (or Other Identifying Number): EDS #A58-1-11DL-001

**Status of Audit Finding:**

A control deficiency was identified for the cash management and reporting compliance requirements for the Special Education grant for. Request for reimbursement reports were required to be submitted to receive grant funding. Request for reimbursement reports were prepared by the grant's project coordinator then submitted without review by another individual with knowledge of the grant requirements.

Following the July 1, 2011-June 30, 2013 audit, the Service Center established an internal control system to correct this audit finding. The request for reimbursement reports are reviewed by another individual prior to being submitted to the Indiana Department of Education. Currently, the PATINS grant Project Coordinator is required to present the reimbursement reports and supporting documentation to the PATINS State Director for review and approval signature. After the State Director's approval, the documents are then forwarded to the Treasurer for final review and approval. The Project Coordinator then submits the reimbursement reports to the Indiana Department of Education. The Business Manager regularly reviews the information for the monthly board meeting financial statements.

*Michelle J. Smith*  
 \_\_\_\_\_  
 (Signature)

Treasurer  
 \_\_\_\_\_  
 (Title)

8/25/2017  
 \_\_\_\_\_  
 (Date)

*\* Reviewed and approved on 8-30-17 by Kevin M. Caress, Ed.D. - Exec Director*

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

## CORRECTIVE ACTION PLAN

September 13, 2017

State Board of Accounts  
302 Washington St., Room E418  
Indianapolis, Indiana 46204-2765

Re: **Finding 2015-001**

Contact Person(s) Responsible for Corrective Action: Dr. Kevin Caress, Executive Director – (317) 759-5547  
Michelle Smith, Treasurer – (317) 759-5553

Views of Responsible Official: We concur with the SBOA findings.

Description of Corrective Action Plan: The accounting and administrative departments which oversee the accounting processing of the PATINS Project grant will insure that the inclusion of semi-annual certifications for PATINS Project employees are submitted. This will be in accordance with Internal Controls rules under OMB Circular A-87, Attachment B, 8(h), referring to certification reporting.

Anticipated Completion Date: The 2017 submission is currently being reviewed. From September 2017 forward, we will comply with semi-annual reporting of the PATINS Project employees' status.

Signed:   
Kevin M. Caress, Ed.D.

Signed:   
Michelle Smith

Title: \_\_\_\_\_ Executive Director \_\_\_\_\_

Title \_\_\_\_\_ Treasurer \_\_\_\_\_

Date: \_\_\_\_\_ September 13, 2017 \_\_\_\_\_

Date: \_\_\_\_\_ September 13, 2017 \_\_\_\_\_

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Service Center. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.