

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL TOWN OF SPEEDWAY

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	Nancy M. Johnson	07-01-13 to 12-31-17
Superintendent of Schools	Kenneth Hull	07-01-13 to 12-31-21
President of the School Board	Dr. Terry E. Reed	07-01-13 to 12-31-13
	William H. Scott	01-01-14 to 12-31-14
	Laura Daghe	01-01-15 to 12-31-15
	Debra Gonzales	01-01-16 to 12-31-16
	Dr. Terry E. Reed	01-01-17 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE SCHOOL TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

This report is supplemental to our audit report of the School Town of Speedway (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://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 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 Findings, incorporated within this report, was not verified for accuracy.

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

August 24, 2017

SCHOOL TOWN OF SPEEDWAY  
FEDERAL FINDINGS

***FINDING 2015-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). Although the School Corporation had procedures in place to provide for a review and approval of information reported on the SEFA, the controls were not effective.

Due to the ineffective controls, the following errors occurred on the SEFA: The Child Nutrition Cluster was not reported, resulting in an understatement of \$1,194,936. The following programs did not properly report the amounts for each project: Special Education\_Grants to States, Special Education\_Preschool Grants, Title I Grants to Local Educational Agencies, and English Language Acquisition State Grants. Additionally, several of the grants presented on the SEFA had incorrect program names.

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

*Context*

The errors occurred within each fiscal year listed on the SEFA. The ineffectiveness of the controls was a problem for the entire audit period as the SEFA is prepared once each fiscal year-end.

*Criteria*

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

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

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

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § \_\_\_\_\_.310. . . ."

SCHOOL TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

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

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

*Cause*

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

*Effect*

Because a proper system of internal control was not in place, material misstatements of the SEFA remained undetected.

*Recommendation*

We recommended that the School Corporation's management establish effective control procedures and ensure proper reporting 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.

SCHOOL TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-002***

Subject: Title I Grants to Local Educational Agencies - 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): 13-5400, 14-5400, 15-5400  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. A control procedure was in place to ensure compliance with requirements related to the Final Expenditure Report; however, no evidence was provided for audit to document this control procedure.

*Context*

The lack of documentation of controls was a systemic problem 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. . . ."

*Cause*

Management had not developed an effective system of internal controls that would have ensured that all requirements related to the Reporting compliance requirement were met.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement.

*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 requirements related to the Reporting compliance requirement to ensure compliance with those requirements.

SCHOOL TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2015-003**

Subject: School Breakfast Program and National School Lunch Program - Cash 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): 5400  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

Management of the School Corporation had not established an effective internal control system related to its grant agreement and the Cash Management compliance requirement. The School Corporation's ending cash balance (Net Cash Resources) for the food service program exceeded the 3 months average expenditure for all 24 months of the period audited.

*Context*

The lack of controls and noncompliance was a systemic problem 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. . . ."

7 CFR 210.9(b) states in part:

"*Agreement.* Each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary. . . . This agreement shall provide that each school food authority shall, with respect to participating schools under its jurisdiction: . . .

- (2) Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved in accordance with § 210.19(a); . . ."

7 CFR 220.7(e) states in part:

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

SCHOOL TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

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

*Cause*

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

*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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2015-004**

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Number and Year (or Other Identifying Number): 5400  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Findings: Material Weakness, Other Matters

*Condition*

Management of the School Corporation had not established an effective internal control system related to Special Tests and Provisions - Paid Lunch Equity. The School Corporation did not meet the required weighted-average lunch price for the 2013-2014 school year. The School Corporation's weighted-average lunch price for the 2013-2014 school year was \$2.33. The required weighted-average lunch price was \$2.36.

*Context*

The lack of controls and noncompliance occurred during the first year of the period audited.

SCHOOL TOWN OF SPEEDWAY  
FEDERAL FINDINGS  
(Continued)

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 210.14(e) states in part:

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

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

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

*Cause*

Management had not developed an effective system of internal controls that would have ensured that all requirements related to paid lunch equity were met.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*Views of Responsible Officials*

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

# SPEEDWAY PUBLIC SCHOOLS

5335 West 25<sup>th</sup> Street  
SPEEDWAY, IN 46224

## BOARD OF TRUSTEES

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Member

## ADMINISTRATION

KENNETH E. HULL  
Superintendent  
of Schools

KYLE N. TREBLEY  
Assistant  
Superintendent

JOHN W. DIZNEY  
Assistant  
Superintendent

LUCAS W. ZARTMAN  
Principal  
Howard J. Lacy II  
Speedway High School

RICK ROSEBROUGH  
Principal  
Speedway Junior  
High School

M. ELIZABETH SNAPP  
Principal  
Carl G. Fisher  
Elementary School

LANCE E. SCHNAUS  
Principal  
Arthur C. Newby  
Elementary School

JAY L. BEDWELL  
Principal  
James A. Allison  
Elementary School

BRENDA L. WOLFE  
Principal  
Frank H. Wheeler  
Elementary School

ANDREA L. McINTOSH  
Director of Exceptional  
Learners  
Carl G. Fisher  
Elementary School

TRENTON S. BOROM  
Director of Student  
Services  
Howard J. Lacy II  
Speedway High School

## CORRECTIVE ACTION PLAN

### **FINDING 2015-001**

Contact Person Responsible for Corrective Action: Nancy M. Johnson, Treasurer

Contact Phone Number: 317-244-0236

Views of Responsible Official: We concur with the finding

### Description of Corrective Action Plan:

1. Future SEFA forms will include the Child Nutrition Cluster
2. Program names will be updated

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Corporation Treasurer

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

August 17, 2017

\_\_\_\_\_  
(Date)

# SPEEDWAY PUBLIC SCHOOLS

5335 West 25<sup>th</sup> Street  
SPEEDWAY, IN 46224

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Member

MRS. DEBRA L. GONZALES  
Member

## CORRECTIVE ACTION PLAN

### **FINDING 2015-002**

#### ADMINISTRATION

KENNETH E. HULL  
Superintendent  
of Schools

KYLE N. TREBLEY  
Assistant  
Superintendent

JOHN W. DIZNEY  
Assistant  
Superintendent

LUCAS W. ZARTMAN  
Principal  
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Director of Exceptional  
Learners  
Carl G. Fisher  
Elementary School

TRENTON S. BOROM  
Director of Student  
Services  
Howard J. Lacy II  
Speedway High School

Contact Person Responsible for Corrective Action: Nancy M. Johnson, Treasurer

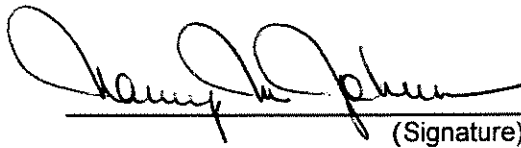
Contact Phone Number: 317-244-0236

Views of Responsible Official: We concur with the finding

#### Description of Corrective Action Plan:

1. Final Expenditure reports for all Federal Grants will be approved by the School Corporation Treasurer and the Director of Exceptional Learners or the Superintendent of Schools, by either signature or email.

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Corporation Treasurer

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

August 17, 2017

\_\_\_\_\_  
(Date)

# SPEEDWAY PUBLIC SCHOOLS

5335 West 25<sup>th</sup> Street  
SPEEDWAY, IN 46224

## BOARD OF TRUSTEES

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Vice President

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MRS. LAURA B. DAGHE  
Member

MRS. DEBRA L. GONZALES  
Member

## CORRECTIVE ACTION PLAN

### **FINDING 2015-003**

#### **ADMINISTRATION**

KENNETH E. HULL  
Superintendent  
of Schools

KYLE N. TREBLEY  
Assistant  
Superintendent

JOHN W. DIZNEY  
Assistant  
Superintendent

LUCAS W. ZARTMAN  
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Director of Student  
Services  
Howard J. Lacy II  
Speedway High School

Contact Person Responsible for Corrective Action: Kenneth E. Hull, Superintendent

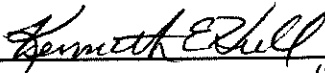
Contact Phone Number: 317-244-0236

Views of Responsible Official: We concur with the finding

#### Description of Corrective Action Plan:

1. The School Corporation will limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved with 210.19(a)

Anticipated Completion Date: Immediately

  
\_\_\_\_\_  
(Signature)

Superintendent

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

August 17, 2017

\_\_\_\_\_  
(Date)

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SPEEDWAY, IN 46224

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Secretary

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Member

MRS. DEBRA L. GONZALES  
Member

## CORRECTIVE ACTION PLAN

### **FINDING 2015-004**

#### ADMINISTRATION

KENNETH E. HULL  
Superintendent  
of Schools

KYLE N. TREBLEY  
Assistant  
Superintendent

JOHN W. DIZNEY  
Assistant  
Superintendent

LUCAS W. ZARTMAN  
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Contact Person Responsible for Corrective Action: Kenneth E. Hull, Superintendent

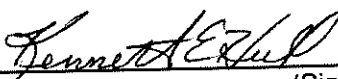
Contact Phone Number: 317-244-0236

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

1. Prior Audit findings were issued in February, 2014 relating to School Lunch prices. The School Corporation raised the school lunch prices effective with the 2014-15 school year to reach the State recommended level.

Anticipated Completion Date: Completed

  
\_\_\_\_\_  
(Signature)

Superintendent

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

August 17, 2017

\_\_\_\_\_  
(Date)

SCHOOL TOWN OF SPEEDWAY  
AUDIT RESULT AND COMMENT

**SCHOOL PREPAID MEAL ACCOUNTS**

The entire amount of adult and student prepaid food advance deposits were recognized in the School Lunch Fund, Fund 800, at the end of each month. The School Corporation had not established Fund 8400 - Prepaid Food to account for advance deposits made to individual student and adult prepaid food accounts. As a result, revenue was recognized in advance of being earned as the deposits were always recognized in the same month in which the monies were received and there was not an overall grand total cash balance maintained for adult and student prepaid meal deposits.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

SCHOOL TOWN OF SPEEDWAY  
EXIT CONFERENCE

The contents of this report were discussed on August 24, 2017, with Nancy M. Johnson, Treasurer; Kenneth Hull, Superintendent of Schools; Dr. Terry E. Reed, President of the School Board; Kyle Trebley, Assistant Superintendent of Schools; and John Dizney, Assistant Superintendent of Schools.