

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
CLOVERDALE COMMUNITY SCHOOL CORPORATION
PUTNAM COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
12/11/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debbie Rollings Mendy Shrout	07-01-13 to 03-04-16 03-05-16 to 06-30-18
Superintendent of Schools	Dr. Carrie Milner Greg Linton	07-01-13 to 09-28-14 09-29-14 to 06-30-18
President of the School Board	Duane Huges Donna Fidler Duane Huges Vivian Whitaker	07-01-13 to 12-31-13 01-01-14 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CLOVERDALE COMMUNITY SCHOOL
CORPORATION, PUTNAM COUNTY, INDIANA

This report is supplemental to our audit report of the Cloverdale Community School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

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

October 24, 2017

CLOVERDALE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

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

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2013-1.

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). The School Corporation relied on one employee to prepare the SEFA. There was no evidence of a control, such as an oversight, review, or approval process by the School Corporation to ensure federal awards information entered and submitted was correct.

Context

The SEFA contained the following errors:

1. The National School Lunch Program commodities in the amount of \$73,822 were not reported.
2. The Special Education Cluster (IDEA) expenditures had a net overstatement of \$408,820. The Special Education_Grants to States were overstated by \$435,397 and the Special Education_Preschool Grants were understated by \$26,577 for the audit period.
3. The Title I Grants to Local Educational Agencies expenditures were understated by \$224,271 for the audit period.
4. The Twenty-First Century Community Learning Centers expenditures were understated by \$68,607 for the audit period.
5. The Grants to States expenditures of \$3,567 were not reported for fiscal year 2014.

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

Criteria

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

CLOVERDALE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"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. . . ."

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."

CLOVERDALE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish controls enabled material misstatements of the SEFA to occur.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

FINDING 2015-002

Subject: Special Education_Grants to States - Matching, Level of Effort, Earmarking

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): 14212-048-PN01, 14213-048-PN01,
14214-048-PN01, 14215-048-PN01,
99914-048-TX01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Scope Limitation - Modified Opinion

Repeat Finding

This is not a repeat finding from the immediate prior audit.

Condition

The School Corporation had not designed or implemented adequate internal controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation was a member of a Special Education Cooperative (Cooperative). The Treasurer independently prepared the Level of Effort - Maintenance of Effort (MOE) calculation worksheets and submitted them to the Cooperative during the audit period. The documentation to support the MOE calculations was not retained and available for audit. There was no evidence of an oversight, review, or approval process by the School Corporation to ensure the documentation for the calculation of MOE was retained or that the calculations made were accurate.

CLOVERDALE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

It could not be determined whether the MOE calculations were accurate for either year of the audit period due to supporting documentation not being retained and available for audit. There was no evidence of an oversight, review, or approval process by the School Corporation for either 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. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not developed a system of internal controls, including segregation of duties, that would have ensured that the documentation to support the MOE calculations was retained and available for audit.

Effect

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls, including segregation of duties, over the Matching, Level of Effort, Earmarking requirements that would ensure that records are retained and available for audit.

Views of Responsible Officials

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

CLOVERDALE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-003

Subject: Title I Grants to Local Educational Agencies and Twenty-First Century
Community Learning Centers - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Twenty-First
Century Community Learning Centers

CFDA Numbers: 84.010, 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): 12-6750, 13-6750, 14-6750,
A58-0-10DL-050,
A58-0-10DL-093,
A58-4-14OT-0016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior audit.

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 Semi-Annual Certifications were not prepared for those employees who were paid entirely from the Title I Grants to Local Educational Agencies (Title I) program or the Twenty-First Century Community Learning Centers (Twenty-First Century) program. Personal Activity Reports or other appropriate documentation was not prepared for those employees who were paid from multiple sources including the Title I program or the Twenty-First Century program.

Context

There were no Semi-Annual Certifications or Personal Activity Reports completed for either program during the audit period.

Criteria

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

". . . (3) 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.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. . . ."

CLOVERDALE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Noncompliance with 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 and implement procedures to ensure compliance with the grant agreement and the Allowable Costs/Costs 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.

Cloverdale Community School Corporation

310 East Logan St. • Cloverdale, Indiana 46120 • (765) 795-4664 • (765) 795-5166 Fax

Lynn Lotz
Executive Secretary

Greg Linton
Superintendent

Mendy Shrout
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Mendy Shrout
Contact Phone Number: 765-795-4664

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Cloverdale Community School Corporation will establish processes to properly identify, appropriately track, and report Federal Grants. The treasurer will use the Federal Clearing House website to verify the fund title with the CFDA number.

The Corporation Treasurer will work with the Superintendent to review and approve the financial data before it is submitted formally for the corporation. A copy of the SEFA report will be printed, signed by the Superintendent, and retained for Audit.

Anticipated Completion Date: October 31,2017

Greg Linton

(Signature)

Superintendent

(Title)

10-23-17

(Date)

Cloverdale Community School Corporation

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Lynn Lotz
Executive Secretary

Greg Linton
Superintendent

Mendy Shrout
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Mendy Shrout
Contact Phone Number: 765-795-4664

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Cloverdale Community School Corporation will retain MOE calculation supporting documentation with the Maintenance of Effort report submitted to Old National Trail for the Part B federal grants.

Anticipated Completion Date: August 31, 2017

Greg Linton

(Signature)

Superintendent

(Title)

10-23-17

(Date)

Cloverdale Community School Corporation

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Lynn Lotz
Executive Secretary

Greg Linton
Superintendent

Mendy Shrout
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Mendy Shrout
Contact Phone Number: 765-795-4664

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Cloverdale Community School Corporation will work to establish internal controls that will ensure compliance with Allowable Costs/Cost Principles compliance requirements concerning time and effort reporting.

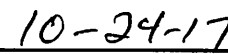
Anticipated Completion Date: October 24, 2017



(Signature)



(Title)



(Date)

CLOVERDALE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2017, with Mendy Shrout, Treasurer; Greg Linton, Superintendent of Schools; and Vivian Whitaker, President of the School Board. A phone conference was held on October 24, 2017, with Debbie Rollings, former Treasurer.