

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BREMEN PUBLIC SCHOOLS

MARSHALL COUNTY, INDIANA

July 1, 2014 to June 30, 2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stephanie K. Pittman	07-01-14 to 06-30-18
Superintendent of Schools	Dr. James A. White	07-01-14 to 06-30-18
President of the School Board	Jack Jordan Jill Hassel Todd Stuckman Suzanne Ginter	01-01-14 to 12-31-14 01-01-15 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 BREMEN PUBLIC SCHOOLS, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Bremen Public Schools (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit 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 and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

December 4, 2017

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation related to financial transactions and reporting of payroll expenditures. There was no review of certified employees' payroll rates entered into the payroll system to ensure that the correct rates were paid. In addition, maintenance employees' pay rates were not approved by the School Board.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

The 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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control that would have ensured proper reporting of payroll transactions.

Effect

The failure to establish and properly implement controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting of payroll expenditures.

BREMEN PUBLIC SCHOOLS
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 2016-002

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security
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): 13-5480, 14-5480, 15-5480
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement. The School Corporation did not adopt a locally developed written test security policy.

Context

The lack of controls was a systemic problem, which occurred throughout the audit period. A locally developed written test security policy was not adopted during the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Indiana Assessment Program Manual, Chapter 13, Section 9, Part D states in part:

"Required local test security policy. Every school corporation, public school, charter school, accredited nonpublic school, Choice school, or other test administration location that administers tests under the Indiana Assessment System **MUST** have a locally developed written test security policy. . . ."

Cause

The School Corporation had not established a system of internal control that would have ensured that a written test security policy was approved.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 to ensure compliance and comply with the Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015, FY 2016
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, Reporting
Pass-Through Entity: Indiana Department of Education
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding the Reporting compliance requirement. The prior year finding number was 2014-002.

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, and Reporting compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

There was no documented review of payroll time records for some employees involved with the programs.

Eligibility (School Breakfast Program and National School Lunch Program)

Physical applications for free and reduced price meal benefits submitted to the School Corporation were input into the food service software by one employee. There was no control in place to ensure that the information was entered accurately.

Program Income (School Breakfast Program and National School Lunch Program)

There was no effective control in place at the School Corporation that would have ensured that correct amounts for program income were entered into the School Corporation's financial accounting system from the Food Service financial reporting system. Amounts were entered into the School Corporation's financial accounting system by one person without an oversight, review, or approval process.

Reporting

The School Corporation implemented controls which required the Food Service Director to review and approve the Sponsor Claims (claim for reimbursement) prepared by the Lunch Account Assistant. However, there was no documentation of this process.

Context

The lack of controls was a systemic problem, which occurred throughout the audit period.

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. . . ."

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. The lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Program Income, and Reporting compliance requirements.

Views of Responsible Officials

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



Administration Office

512 W. Grant St. ♦ Bremen, IN 46506 ♦ 574-546-3929 ♦ 574-546-6303 ♦ www.bps.k12.in.us

Dr. Jim White
Superintendent

Mrs. Stephanie Pittman
Treasurer

Ms. Terri Biddle
Supt Sec./Deputy Treas

Mrs. Michele Liverman
Payroll/Acct Associate

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Stephanie Pittman
Contact Phone Number: 574-546-3929

Views of Responsible Official: Concurrence with the finding

Description of Corrective Action Plan:

The process for recording certified salaries will be as follows:

1. The Master Contract will be ratified by the Bremen Education Association and approved by the Bremen Board of School Trustees.
2. Changes in salary will be calculated and entered in the payroll system by Stephanie Pittman, Treasurer.
3. The calculations will be reviewed by Dr. Jim White, Superintendent.
4. The entries into the payroll system will be reviewed by Michele Liverman, Payroll.
5. Both reviews will be documented.

The process for approving classified salaries will be as follows:

1. Dr. Jim White, Superintendent and Stephanie Pittman, Treasurer will determine salary increases for all classified staff and document the recommendations on the Classified Salary Recommendations form.
2. The Board of School Trustees will approve the Classified Salary Recommendations form.

Anticipated Completion Date: The processes are developed and will be implemented immediately.

Stephanie Pittman
(Signature)

Treasurer
(Title)

12/4/2017
(Date)

**Bremen Public Schools
Classified Salary Recommendation Form**

Salaried Positions	% Increase	or Hourly Increase	or Annual Salary
Treasurer	_____	_____	_____
Supt Secretary/Deputy Treas	_____	_____	_____
Technology Director	_____	_____	_____
Network Administrator	_____	_____	_____
Technician	_____	_____	_____
Technician	_____	_____	_____
K-8 Principal's Secretary	_____	_____	_____
Elementary School Secretary	_____	_____	_____
Middle School Secretary	_____	_____	_____
K-8 Bookkeeper	_____	_____	_____
Special Services Secretary	_____	_____	_____
School Nurse	_____	_____	_____
Food Service Director	_____	_____	_____
Transportation Director	_____	_____	_____
Maintenance Director	_____	_____	_____
Hourly Positions			
Payroll/Acct Associate	_____	_____	_____
HS Principal's Secretary	_____	_____	_____
Guidance Secretary	_____	_____	_____
Athletic Secretary	_____	_____	_____
High School Secretary/Copier	_____	_____	_____
Instructional Assistants	_____	_____	_____
Cafeteria Bookkeeper	_____	_____	_____
Cooks	_____	_____	_____
Lunchroom Assistants	_____	_____	_____
Recess Monitors	_____	_____	_____

**Bremen Public Schools
Classified Salary Recommendation Form**

Salaried Positions	% Increase	or Hourly Increase	or Annual Salary
Grounds/Maintenance Custodian	_____	_____	_____
Bus Driver Crossing Guard	_____	_____	_____
Concession Manager Asst Concession Manager	_____	_____	_____



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Superintendent

Mrs. Stephanie Pittman
Treasurer

Ms. Terri Biddle
Supt Sec./Deputy Treas

Mrs. Michele Liverman
Payroll/Acct Associate

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Dr. Jim White
Contact Phone Number: 574-546-3929

Views of Responsible Official: Concurrence with the finding

Description of Corrective Action Plan:

The Superintendent and the Board of School Trustees have contracted with Neola to update all board policies. A Test Security Policy is included in this process.

Anticipated Completion Date: The update of board policies with Neola is anticipated to be complete by June 2018.

Stephanie Pittman
(Signature)

Treasurer
(Title)

12/4/2017
(Date)



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Dr. Jim White
Superintendent

Mrs. Stephanie Pittman
Treasurer

Ms. Terri Biddle
Supt Sec./Deputy Treas

Mrs. Michele Liverman
Payroll/Acct Associate

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Stephanie Pittman
Contact Phone Number: 574-546-3929

Views of Responsible Official: Concurrence with the finding

Description of Corrective Action Plan:

1. Activities Allowed or Un-allowed, Allowable Costs/Cost Principals: As a salaried employee, Hope Andrews, Food Service Director, will use the time keeping system K-Time to track hours and absences. Amy Stouder, Lunch Account Bookkeeper, will review and approve the time and absences prior to approval by Michele Liverman, Payroll/Acct Associate.
2. Eligibility: Physical applications for free and reduced-price meal benefits are input into the food service software by Jennifer Stine, K-8 Principal's Secretary. After the information is input in the food service software, Jennifer Stine will send the physical applications to the Administration Office for review by either Stephanie Pittman, Treasurer or Michele Liverman, Payroll/Acct Associate. Documentation of the review will be made on the physical application.
3. Program Income: Amy Stouder, Lunch Account Bookkeeper, will access reports from the food service software and submit the report to Stephanie Pittman, Treasurer. Stephanie Pittman, Treasurer will enter the appropriate amounts into the school corporation's financial software at the end of each month. After the month has been reconciled, Stephanie Pittman, Treasurer will send summary reports to Hope Andrews, Food Service Director. Hope Andrews, Food Service Director, will review the reports and document the review on the reports.
4. Reporting: Amy Stouder, Lunch Account Bookkeeper, will prepare the reimbursement request. Hope Andrews, Food Service Director, will review the reports and document the review on the reports. Stephanie Pittman, Treasurer, will reconcile the reimbursement submission with the receipt of the funds.

Anticipated Completion Date: The processes are developed and will be implemented immediately.

Stephanie Pittman
(Signature)

Treasurer
(Title)

12/4/2017
(Date)

BREMEN PUBLIC SCHOOLS
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B44947.

The Financial Statement and Single Audit Report for the School Corporation included the Textbook Rental fund with overdrawn cash balances of \$45,465 and \$64,024 at June 30, 2015 and 2016, respectively, and the Background Check fund with overdrawn cash balances of \$286 and \$426, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

BREMEN PUBLIC SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2017, with Dr. James A. White, Superintendent of Schools; Stephanie K. Pittman, Treasurer; Brian Teall, School Board member; Maria Mikel, School Board member; and Jesse Bohannon, School Board member.