

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BLACKFORD COUNTY SCHOOLS

BLACKFORD COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
04/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Randi L. Libby (Vacant) Greg B. Elkins	07-01-14 to 05-25-17 05-26-17 to 08-13-17 08-14-17 to 06-30-18
Superintendent of Schools	Scot D. Croner Chad A. Yencer	07-01-14 to 06-30-17 07-01-17 to 06-30-18
President of the School Board	John S. Payne Philip N. Jones	01-01-14 to 12-31-16 01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

This report is supplemental to our audit report of the Blackford County 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 Results and Comments 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 Results and Comments contained herein describe the identified reportable instances 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 Results and Comments, incorporated within this report, were not verified for accuracy.

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

March 22, 2018

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

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

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).

Context

During the audit of the SEFA, the following errors were noted:

1. The School Corporation did not report commodity amounts for the National School Lunch Program. The commodities were \$62,345 and \$58,830 for the years ending June 30, 2015 and 2016, respectively.
2. The School Corporation reported amounts pass-through to subrecipients when there should have been none reported. The pass-through to subrecipients were overstated \$1,624,496 and \$1,397,903 for the years ending June 30, 2015 and 2016, respectively.
3. During the fiscal year ending June 30, 2015, the Child Nutrition Cluster was overstated \$293,847; Special Education Cluster (IDEA) was understated \$27,189; Rural Education was understated \$15,718; the Medicaid Cluster was omitted in the amount of \$39,338; and \$35,124 of state grants were included.
4. During the fiscal year ending June 30, 2016, the Child Nutrition Cluster was overstated \$267,878; Special Education Cluster (IDEA) was understated \$107,877; Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) was understated \$17,696; the Medicaid Cluster was omitted in the amount of \$55,958; and \$25,111 of state grants were included.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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:

BLACKFORD COUNTY SCHOOLS
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."

Cause

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

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

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 2016-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

Internal controls over bank reconciliations were inadequate during the audit period. Reconcilements were not adequately detailed or summarized and documentation was insufficient and not directly compared with the Fund Report. Reconcilements lacked documented review and approval. The School Corporation's internal control was that bank reconcilements were to be accurate, adequately documented, and signed and dated by the preparer. The reviewer of the reconcilement was to sign and date the reconcilement. Available records failed to provide evidence that these internal controls were being applied to month-end bank reconcilements.

Context

The lack of adequate internal controls was a systemic issue, which occurred throughout the audit period.

Criteria

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

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

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

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

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

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, any bank reconciliation issues.

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: 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 Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Condition

The School Lunch fund cash balances throughout the audit period exceeded the three months average expenditures. 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 Cash Management compliance requirement.

Context

During the audit period, every month exceeded the three months average expenditures.

BLACKFORD COUNTY SCHOOLS
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. . . ."

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). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall 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 by the State agency 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: . . .

- (iv) Limit its net cash resources 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 proper system of internal controls to ensure compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within the internal control system resulted in noncompliance and allowed the potential 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.

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to 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 2016-004

Subject: Child Nutrition Cluster - Internal Controls

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 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Procurement, Suspension and Debarment, Reporting,
Special Tests and Provisions - Verification of Free and
Reduced Price Applications (NSLP), Special Tests and
Provisions - School Food Accounts

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 following compliance requirements:

Eligibility

There was no documentation that supported that there were controls in place over Eligibility. With no documentation supporting internal controls, it was determined that there were no controls over Eligibility.

Procurement and Suspension and Debarment

The compliance requirement is primarily handled by the Region 8 Co-op; however, any vendor recommended by the Region 8 Co-op has to be approved by the School Board. Review of the 2014, 2015, and 2016 School Board Minutes showed no approval for the recommended vendors. The lack of review and approval indicated that there was no control over Procurement and Suspension and Debarment.

Reporting

There was no documentation that supported that there were controls in place over Reporting for the Annual Financial Report and the School Food Authority (SFA) Verification Collection Report. There was no documentation supporting internal controls.

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
(School Breakfast Program and National School Lunch Program)*

There was no documentation that supported that there were controls in place over eligibility testing and verifications. There was no documentation supporting internal controls.

Special Tests and Provisions - School Food Accounts

The Treasurer was the only individual verifying that rebates and reimbursements were being recorded promptly and into the correct account. The School Food Accounts were not reconciled between the Food Service balances and the Treasurer's ledgers at any point during the audit period. This constituted a lack of internal control over the Special Tests and Provisions - School Food Accounts compliance requirement.

Context

The lack of internal controls over the compliance requirements above was a systemic problem.

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). . . ."

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. A 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.

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2016-005

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 Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation used the Paid Lunch Equity tool for fiscal year 2015, but did not retain the calculations on how to adjust its weighted average paid lunch prices. In fiscal year 2016, the School Corporation calculated and retained Paid Lunch Equity calculations, but did not increase prices to adjust its weighted average paid lunch prices. There was no documented review of the calculations or proper application of the weighted average paid lunch prices. 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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Context

The School Corporation did not meet the requirements in either year for Paid Lunch Equity.

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:

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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). . . ."

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. . . .
- (3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
- (i) 2 percent; and
 - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year."

Cause

Management had not developed a system of internal controls that segregated key functions or that ensured the maintenance of proper supporting documentation.

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system resulted in noncompliance and allowed the potential misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, 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.

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability
Federal Agency: Department of Education
Federal Program: Title I Grant to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-0515, 15-0515, 16-0515
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
Audit Findings: Material Weakness, Other Matters

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 following Special Tests and Provisions - Comparability compliance requirement.

During the fiscal year 2015, one person prepared and submitted the Comparability report without oversight, review, or an approval process to ensure the report was accurate.

During the fiscal year 2016, the Comparability report was not completed at the School Corporation level, nor was supporting documentation provided to us for review.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. There were no documented controls over the compliance requirement noted in the *Condition* throughout the audit period.

The School Corporation was not able to provide us with the proper Comparability report for the fiscal year 2016, demonstrating the required filing of this report.

BLACKFORD COUNTY SCHOOLS
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. . . ."

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). . . ."

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

34 CFR 76.700 states: "A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

Indiana Department of Education Title I Comparability of Services Handbook states:

"All LEAs must complete comparability yearly and submit information to the SEA every two years for compliance with the comparability requirement. Also, Title I LEAs must develop procedures for compliance with the comparability requirement and implement those procedures annually."

Cause

The School Corporation had not established a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Comparability.

Effect

The failure to establish an effective internal control system enabled 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.

BLACKFORD COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and to comply with the Special Tests and Provisions - Comparability compliance requirement.

Views of Responsible Officials

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



Blackford County Schools

Our Mission:
Educating Students,
Changing the World

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Superintendent
Greg Elkins
Assistant Superintendent
James Trinkle II
Special Services Coordinator

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Montpelier School
Grades K-6
Jim Fox, Principal
Phone: 765.728.2402

Northside School
Grades 4-6
Kevin Biddle, Principal
Phone: 765.348.7595

Southside School
Grades K-3
Craig Campbell, Principal
Phone: 765.348.7584

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Greg Elkins
Contact Phone Number: 765-348-7550

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). Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA were not detected.

Views of Responsible Official: We concur with this finding

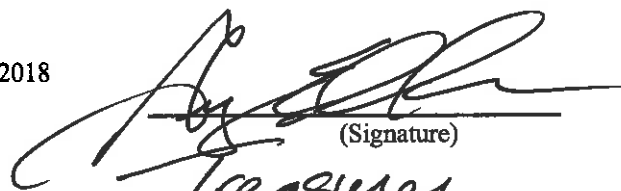
Cause: Previous lack of frequent fund reconciliation and lack of separated job responsibilities and internal controls.

Description of Corrective Action Plan:

1. Corporation will continue to report commodities on SEFA.
2. Treasurer, Deputy Treasurer, and Food Service Director will continue to check and reconcile on a monthly basis that pass-through recipient amounts are zero.
3. Treasurer, Deputy Treasurer, and Food Service Director will continue to reconcile monthly receipts and expenditures for Child Nutrition Cluster, Special Education Cluster, Rural Education, and Medicaid Clusters end ensure balances are acceptable amounts based on Federal guidelines.
4. Treasurer, Deputy Treasurer, and Food Service Director will continue to reconcile monthly receipts and expenditures for Child Nutrition Cluster, Special Education Cluster, Supporting Education Cluster, and Medicaid Clusters end ensure balances are acceptable amounts based on Federal guidelines.
5. All account balances and reconciliations are to be viewed, approved, and signed by Treasurer, Deputy Treasurer, and Food Service Director.

Regular, monthly reconciliation, with checks and approvals by Treasurer, Deputy Treasurer, and Food Service Director will ensure accounts are in acceptable balance, and zero if necessary.

Anticipated Completion Date: June 30, 2018



(Signature)
Treasurer

(Title)
3/27/2018

(Date)

FINDING 2016-002

Contact Person Responsible for Corrective Action: Greg Elkins

Contact Phone Number: 765-348-7550

Internal controls over bank reconciliations were inadequate during the audit period. Reconcilements were not adequately detailed or summarized, documentation was insufficient and not directly compared with the Fund Report. Reconcilements lacked documented review and approval. The School Corporation's internal control was that bank reconcilements were to be accurate, adequately documented, and signed and dated by the preparer. The reviewer of the reconcilement was to sign and date the reconcilement. Available records failed to provide evidence that these internal controls were being applied to month-end bank reconcilements.

Views of Responsible Official: We concur with this finding

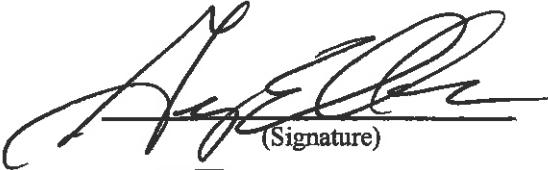
Cause: Management of the School Corporation had not established a proper system of internal control.

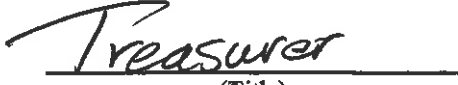
Description of Corrective Action Plan:

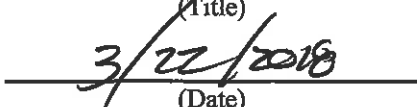
1. All bank reconciliations following the audit period are currently available in hard copy files and electronic files.
2. Treasurer & Deputy Treasurer will continue to review end of month reconciliations. Deputy Treasurer prepares the report and the Treasurer approves and signs off.

Appropriate record keeping and oversight (internal controls) are in place.

Anticipated Completion Date: Immediate



(Signature)


(Title)


(Date)

FINDING 2016-003

Contact Person Responsible for Corrective Action: Greg Elkins
Contact Phone Number: 765-348-7550

The School Lunch Fund cash balances throughout the audit period exceeded the three months average expenditures. 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 Cash Management compliance requirement. The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Cash Management compliance requirement. The School Corporation is required to report to the Indiana Department of Education (IDOE) with a plan, including a timeline, on how the School Corporation is going to spend down the excess funds.

Views of Responsible Official: We concur with this finding

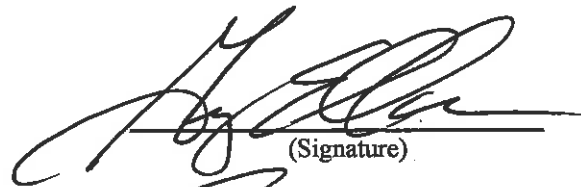
Cause: Management had not developed a system of internal controls that segregated key functions or that ensured the maintenance of proper supporting documentation.

Description of Corrective Action Plan:

1. Deputy Treasurer and Food Service Director will both now receive automated notification of student withdrawals from enrollment. If that students has a pre-paid lunch account balance, Deputy Treasurer will notify Treasurer and issue a check to the parent/guardian at the last known address on record.
2. Deputy Treasurer and Food Service Director will continue to review end of month reconciliations. Deputy Treasurer will transfer excess balances from pre-paid accounts to the general food service account. Treasurer will be notified and sign off on account balance transfer. Pre-paid balances will also be used to pay off credit/charge balances.
3. Treasurer, Food Service Director, and Building & Grounds Director will identify capital improvement needs in the food service program and begin the process of obtaining IDOE permission to spend food service funds on capital investments.
4. Treasurer, Food Service Director, and Building & Grounds Director will continue to monitor and identify capital improvement needs in the food service program and obtain IDOE permission to spend food service funds on capital investments.
5. A spend down plan was submitted by the Food Service Director to IDOE Food Service Department in November, 2017.

Appropriate record keeping, account balances and transfers, and oversight (internal controls) are in place.

Anticipated Completion Date: Immediate



(Signature)
Treasurer

(Title)
3/22/2018

(Date)

FINDING 2016-004

Contact Person Responsible for Corrective Action: Greg Elkins
Contact Phone Number: 765-348-7550

Views of Responsible Official: We concur with this finding

Cause: An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

- Eligibility - There was no documentation that supported that there were controls in place over Eligibility. With no documentation supporting internal controls, it was determined that there were no controls over Eligibility.
- Procurement, Suspension and Debarment - The compliance requirement is primarily handled by the Region 8 Co-op, however any vendor recommended by the Region 8 Co-op has to be approved by the School Board. Review of the 2014, 2015, and 2016 School Board Minutes showed no approval for the recommended vendors. The lack of review and approval indicates that there is no control over Procurement, Suspension and Debarment.
- Reporting - There was no documentation that supported that there were controls in place over Reporting for the Annual Financial Report and the Verification Summary Report. With no documentation supporting internal controls, it was determined that there were no controls over these two reporting requirements.
- Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) - There was no documentation that supported that there were controls in place over eligibility testing and verifications. With no documentation supporting internal controls, it was determined that there were no controls over the eligibility testing and verification.
- Special Tests and Provisions - School Food Accounts (SFA) - The School Corporation Treasurer was the only individual verifying that rebates and reimbursements were being

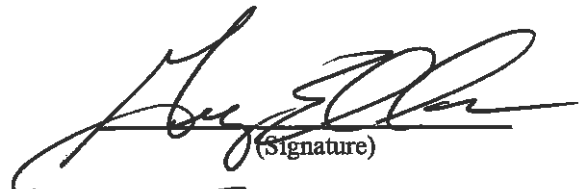
recorded promptly and into the correct account. The School Food Accounts were not reconciled between the Food Service balances and the School Corporation Treasurer's ledgers at any point during the audit period. This constitutes a lack of internal control over this Special Tests and Provisions - School Food Accounts (SFA) compliance requirement.


Description of Corrective Action Plan:

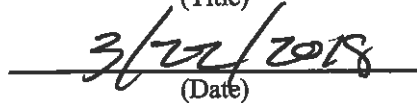
1. Food Service director will provide vendor information from Region 8 Co-Op to Treasurer who will present to the Board of School Trustees at regular monthly meetings for consideration and approval all vendor recommendations and purchases.
2. Deputy Treasurer and Food Service Director will both now receive automated notification of student withdrawals from enrollment. If that students has a pre-paid lunch account balance, Deputy Treasurer will notify Treasurer and issue a check to the parent/guardian at the last known address on record.
3. Food Service Director, Treasurer, and Deputy Treasurer will collaborate on all Annual Financial Report preparation, with Treasurer having final sign off before submission to governing agency.
4. Free and Reduced Price applications are now part of the automated, online registration process for Blackford County Schools. Food Service director receives automated documentation of the application and places student into the program. The Treasurer and District Extra Curricular Accounts Treasurer also verify this list during the Curricular Materials Support Application with IDOE during the fall of each school year.

Appropriate record keeping, account balances and transfers, and oversight (internal controls) are in place.

Anticipated Completion Date: Immediate



(Signature)


(Title)


(Date)

FINDING 2016-005

Contact Person Responsible for Corrective Action: Greg Elkins
Contact Phone Number: 765-348-7550

Views of Responsible Official: We concur with this finding

Cause: The School Corporation used the Paid Lunch Equity tool for fiscal year 2014-15 but did not retain the calculations on how to adjust their weighted average paid lunch prices. In fiscal year 2015-16, the School Corporation calculated and retained Paid Lunch Equity calculations but did not increase prices to adjust their weighted average paid lunch prices. There was no documented review of the calculations or proper application of the weighted average paid lunch prices. 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 Special Tests and Provisions - Paid Lunch Equity compliance requirement. The School Corporation had not established an effective internal control system, which would have included segregation of duties, related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Description of Corrective Action Plan:

1. Food Service director will submit to Treasurer adjusted lunch prices for school year 2018-19 who will then present to the Board of School Trustees at a monthly meeting prior to completion of 2017-18 school year for approval of the adjusted prices.
2. Food Service Director will record results of Paid Lunch Equity tool and report these calculations to the Treasurer in hard-copy format.

Anticipated Completion Date: June 30, 2018

FINDING 2016-006

Contact Person Responsible for Corrective Action: Greg Elkins

Contact Phone Number: 765-348-7550

Views of Responsible Official: We concur with this finding

Cause: 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 following compliance requirement: Special Tests and Provisions - Comparability.

During the fiscal year 2014-15, one person prepared and submitted the Comparability report without oversight, review, or an approval process to ensure the report was accurate.

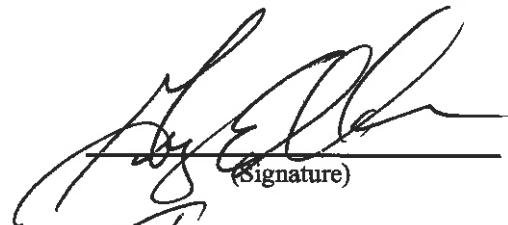
During the fiscal year 2015-16, the Comparability report was not completed at the School Corporation level nor was supporting documentation provided to us for review


Description of Corrective Action Plan:

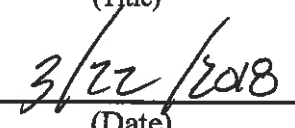
1. The Comparability Report for Title 1 Application (2017) has been submitted as an electronic upload to the IDOE Title 1 application site.
2. A hard copy of the Comparability Report is printed and filed in the current Title I folder which the Deputy Treasurer keeps in her possession.

3. The Comparability Report will be filed electronically and in hard copy form during each Title I application process regardless of whether electronic submission to IDOE is required that year or not.

Anticipated Completion Date: Immediate



(Signature)


(Title)


(Date)

BLACKFORD COUNTY SCHOOLS
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

The June 30, 2015 and 2016 bank account reconciliations as presented, were not in agreement with the School Corporation's Fund Reports. The June 30, 2015 bank reconciliation indicated the bank account balances had \$63,673 less than the Fund Report. Documentation could not be located to explain the variance. The June 30, 2016, bank reconciliation indicated the bank account balances had \$8 less than the Fund Report.

The June 30, 2015 and 2016 outstanding check lists were incomplete. The June 30, 2015 outstanding check list contained checks that had cleared the bank prior to June 30, 2015. The June 30, 2016 list of outstanding checks was not available. This list could no longer be produced by the current financial software.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS

The same comment also appeared in prior Report B45368, entitled *RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS*.

Reconcilements between the School Lunch program subsidiary ledgers (Customer List with Account Balances) and the control account on the School Corporation's ledger (Prepaid Cafeteria Fund) were not performed during the audit period. The Food Service Director did not provide the Customer List with Account Balance reports that document the individual student account balances for fiscal year 2014-2015 or fiscal year 2015-2016. She provided a total student account balance of \$6,834 at June 30, 2016, which was \$52,592 less than the balance of \$59,426 in the Prepaid Cafeteria fund on the School Corporation's ledger. The Prepaid Cafeteria fund transactions and balances are accounted for on the School Corporation's Financial Statements within the Clearing Accounts fund line.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

BLACKFORD COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2018, with Chad A. Yencer, Superintendent of Schools, and Greg B. Elkins, Treasurer.