

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PERU COMMUNITY SCHOOLS

MIAMI COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
04/30/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stanley Hall	07-01-14 to 06-30-18
Superintendent of Schools	Charles Brimbury Sam E. Watkins	07-01-14 to 08-24-14 08-25-14 to 06-30-18
President of the School Board	Sharon Shuey	07-01-14 to 06-30-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE PERU COMMUNITY SCHOOLS, MIAMI COUNTY, INDIANA

This report is supplemental to our audit report of the Peru Community 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

April 2, 2018

PERU COMMUNITY 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 had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA).

Context

Due to the lack of controls, Special Education Cluster (IDEA) grants were not reported, while Adult Education-Basic Grants to States, Rural Education grants, Supporting Effective Instruction State Grants, and Medicaid Cluster grants were reported incorrectly. Child Welfare Services Program grants and Head Start grants were included in error.

Net audit adjustments in the amount of \$545,906 and \$455,781 for fiscal years 2014-2015 and 2015-2016, respectively, 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:

"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. . . ."

PERU COMMUNITY SCHOOLS
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

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 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.

PERU COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting. The School Corporation had not separated incompatible activities related to Cash and Investments and Receipts.

Cash and Investments

The Deputy Treasurer reconciled the bank accounts to the financial records without a proper system of oversight, review, or approval. Due to the lack of controls, depository reconciliations of fund balances to bank account balances were not accurate. Bank reconciliations were prepared for each month during the audit period, but included unidentified adjustments for each month from January 2015 through June 2016. The adjustments were necessary due to the installation of new financial reporting software on January 1, 2015. Various transactions were processed incorrectly while transitioning to the new software. Corrections were posted to the system and dated as of the original entry date rather than the actual correction date. At various times throughout the audit period, corrections were posted during a subsequent fiscal period after submission of the financial report to the Department of Education. During the course of our audit, we were unable to determine the total amount of transactions that had been backdated. Upon further review of the June 30, 2015 and 2016 reconciliations, amounts totaling \$9,919 and \$10,204 remained as unidentified cash long, respectively.

Receipts

The Deputy Treasurer wrote receipts, posted receipts to the financial records, and was responsible for taking the deposits to the bank.

Context

The lack of adequate internal controls and noncompliance were systemic issues, 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.

PERU COMMUNITY 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. . . ."

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)

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

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

Effect

The failure to establish and properly implement controls enabled noncompliance related to Cash and Investments and could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of controls related to Financial Transactions and Reporting, including segregation of duties, to ensure that bank reconciliations were performed accurately and to ensure that financial transactions were accurately reported in the financial statement.

Views of Responsible Officials

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

PERU COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

Subject: Child Nutrition Cluster - 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 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-003.

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.

The Annual Financial Report for fiscal year 2014-2015 had income entries that did not agree with the School Corporation's financial records. The Summer School Food Service Program for Children federal reimbursements was understated by \$49,034, sales to children were overstated by \$71,978, and sales to adults were overstated by \$1,062.

Supporting documentation for the School Food Authority (SFA) Verification Collection Reports submitted for both fiscal years 2014-2015 and 2015-2016 did not match totals reported for direct certification and total students reported as approved for free or reduced eligibility through an application.

The June 2014 Sponsor Claim (claim for reimbursement) for Summer Food Service Program for Children was inaccurate. A total of 5,323 lunch meals were served and only 4,778 were claimed for reimbursement. The November 2015 Sponsor Claim (claim for reimbursement) of snacks was inaccurate. A total of 1,968 snacks were served, and only 1,807 were claimed for reimbursement.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period. A total of eight reports were selected for review and five did not match the supporting documentation.

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. . . ."

PERU COMMUNITY 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). . . ."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as canceled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which 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, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

PERU COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed and Program Income and National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
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: Activities Allowed or Unallowed, Program Income, Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Program Income. The prior audit finding number was 2014-002.

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: Activities Allowed or Unallowed, Program Income, and Special Tests and Provisions - Paid Lunch Equity.

Activities Allowed or Unallowed

Payroll was processed with no review or oversight to ensure proper posting to the School Lunch fund.

Program Income

The posting of program income to the School Lunch fund was completed by the Deputy Treasurer with no review or oversight.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program)

The Paid Lunch Equity was calculated with no review or approval to ensure proper calculations.

Context

The lack of properly designed and implemented 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. . . ."

PERU COMMUNITY 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

The School Corporation had not established and implemented an effective internal control system 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.

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: Child Nutrition Cluster - Allowable Costs/Cost Principles

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 Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

PERU COMMUNITY 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 Allowable Costs/Cost Principles compliance requirement. Effective controls were not in place to ensure that only applicable employees were paid from program funds.

School Corporation Bookkeepers who collected school lunch and textbook money and had other duties were paid partially from the School Lunch fund but Personnel Activity Reports or other documentation of personnel expenses were not maintained; therefore, it was not possible to determine the amount that should have been paid from the School Lunch fund. Additionally, the Treasurer was paid partially from the School Lunch fund and should not have been. Due to these issues there were questioned costs of \$39,379.

Context

This was a systemic issue, 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. . . ."

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). . . ."

OMB Circular A-87, Attachment A, Part C.1 states in part:

"Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

PERU COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, Section 8h(4) states in part:

"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. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs identified totaled \$39,379.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

PERU COMMUNITY 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 2016-006

Subject: Title I Grants to Local Educational Agencies - Activities Allowed
or Unallowed and Allowable Costs/Cost Principles
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): 14-5635, 15-5635, 16-5635
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed,
Allowable Costs/Cost Principles
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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements of the Title I Grants to Local Educational Agencies.

Payroll is processed with no review or oversight to ensure proper posting to the Title I funds.

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. . . ."

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). . . ."

PERU COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not established and implemented an effective internal control system 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 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 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.



Peru Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. The 2016-17 SEFA will be corrected in April 2018.

The funding of the professional development in the Adult Education grant was determined to non-federal during the field audit and will not be reported as federal in the future.

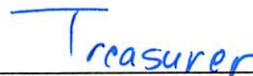
Rural Education and Improving Teacher Quality grants were identified as federally funded during the 2012-14 audit and have been reported henceforth. Medicaid reimbursement is no longer being received, therefore is now a moot point. We will continue verify the source of all future grants.

Anticipated Completion Date:

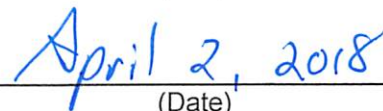
All of the corrective action items have been implemented as of March 28, 2018.



(Signature)



(Title)



(Date)



Peru Community Schools

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Peru, Indiana 46970
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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified. Peru Community Schools Corporation changed financial accounting software from Komputrol to Skyward effective January 1, 2015. Cash was reconciled to the bank but we were unable to reconcile to the funds. The common item of discrepancy was wire that did not clear in the month they were processed. Initial bank reconciliations were completed by Lois Mongosa. Subsequent reconciliations were performed by Jacqueline Gray and a temporary contractual employee. Skyward staff were on site and via web-ex for additional training and troubleshooting of the bank reconciliation. These reconciliations were supervised by Stanley Hall. There was no written record of review or approval.

Description of Corrective Action Plan:

In January, 2018, during the field work of this audit, a Skyward web-ex about bank reconciliation best practices was found. It said that wires affected cash on the date of the invoice, which is incorrect from an accounting perspective. Our solution is to delete the invoice date that is automatically assigned during payroll and to manually insert an invoice date that is the same month as the wire is to be processed. February and March wires were processed by this method. Our goal is to get to the same variance amount month over month. We will then make an adjustment to zero the bank reconciliation.

Written records of the bank reconciliation is now in effect. The deputy treasurer does the bank reconciliation and it is approved by the treasurer.

The process for receipts has been modified. The receptionist opens mail and writes the receipt. The deputy treasurer receipts the funds in Skyward. The deposit is made by the receptionist and taken to the bank by the payroll and benefits coordinator. The treasurer verifies the receipt is posted correctly. This has been implemented in April 2018.

Anticipated Completion Date:

The anticipated completion date for the bank reconciliation is August 2018.

A. Hill

(Signature)

Treasurer

(Title)

April 2, 2018

(Date)



Peru Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

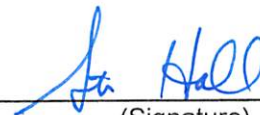
SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. The 2016-17 SEFA will be corrected in April 2018.

A Direct Certification report will be retained with the free and reduced lunch claims by the Executive Secretary. This will be verified by the treasurer.


The Food Service Director will prepare the Sponsor Claim for the Summer Food Service Program. This will be verified prior to submittal by either Linda Fuller or Teresa Fitzgerald.

Anticipated Completion Date:

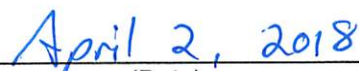
The SEFA and lunch claims processing will be implemented in April 2018. The implementation of the Summer Food Service claim process will be used for the July and August 2018 claim submittals.



(Signature)



(Title)



(Date)



Peru Community Schools

Administrative Center
35 W. Third St.
Peru, Indiana 46970
(765) 473-3081
Fax (765) 472-5129

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

Each payroll is verified by two central office employees, either the deputy treasurer, receptionist or accounts payable coordinator, prior to pay distribution. The new part of this process is that each of these individuals will sign off on their portion of the payroll. The Treasurer reviews every pay distribution report.

SEFA reporting procedures have been modified to include a third person to verify the report, prior to submittal. The 2016-17 SEFA will be corrected in April 2018.


The Treasurer calculates the Paid Lunch Equity. The Deputy Treasurer will approve the calculations.

Anticipated Completion Date:

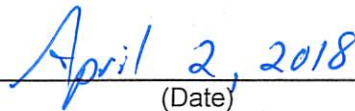
The payroll processing and SEFA will be implemented in April 2018. The implementation of the Paid Lunch Equity process will be implemented in May 2018.



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

Payment of school bookkeepers from the Child Nutrition Funds was discontinued in 2015.
Payment of the treasurer from the Child Nutrition Funds was discontinued in March 2015.

Anticipated Completion Date:


This corrective action plan has been implemented.



(Signature)



(Title)



(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Stanley Hall
Contact Phone Number: 765 473-3081

Views of Responsible Official: We agree with the finding identified.

Description of Corrective Action Plan:

Review of payroll processing for Title I funds has been in place since 2007. However, the review and oversight has not been documented.

The Title I budget is reviewed by the treasurer and deputy treasurer with the Title I director. Specific personnel are assigned to each appropriation. This information is provided to the payroll and benefits coordinator to charge salaries and wages of Title I personnel to the correct appropriation. Each payroll is verified by two central office employees, either the deputy treasurer, receptionist or accounts payable coordinator, prior to pay distribution. Verification of Title I paid employees takes place after the first pay distribution of the new Title I budget year and quarterly thereafter. The new part of this process is that each of these individuals will sign off on their portion of the payroll.

Anticipated Completion Date:

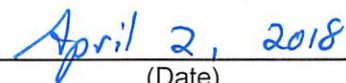
This corrective action plan is being implemented in April 2018.



(Signature)



(Title)



(Date)

PERU COMMUNITY SCHOOLS
AUDIT RESULTS AND COMMENTS

RECONCILIATION OF SUBSIDIARY LEDGERS

A similar comment also appeared in prior Report B45089, entitled *RECONCILIATION OF SUBSIDIARY LEDGERS*, and prior Report B41531, entitled *SUBSIDIARY LEDGERS*.

The control ledger for prepaid lunches did not reconcile to the detail of individual student balances in the subsidiary ledger maintained by the Skyward Student Database System. The control ledger balance at June 30, 2015, was \$24,028, while the detail balance on the Skyward Student Database was overdrawn by \$13,481. The control ledger balance at June 30, 2016, was overdrawn by \$1,055, while the detail on Skyward Student Database was overdrawn by \$19,525.

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)

ERRORS ON CLAIMS

During testing of disbursements/claims, 29 percent of claims tested were not approved by the School Board. The claims were not included in the signed School Board docket and the School Corporation did not have any other records showing approval by the School Board for these claims. The Accounts Payable Coordinator was able to reprint a copy of the School Board docket at the time of the audit and the claims were listed on the reprinted form. The School Corporation could not provide any explanation as to why the claims were not included on the original School Board approved docket.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."



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AUDIT RESULTS AND COMMENTS

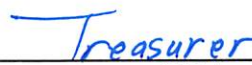
2014-2016 AUDIT

ERRORS ON CLAIMS

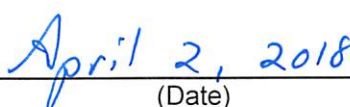
The auditor discovered while testing disbursements that some claims were inadvertently not submitted for board approval. Upon investigation, we discovered the parameters for the claims report were wrong. The report parameters has been corrected. The invoice listing is compared to the fund summary using the same dates. Secondly, the claims report for payroll will now include the payroll summary page for verification. The treasurer is responsible for verification all claims are submitted for board approval.



(Signature)



(Title)



(Date)

PERU COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2018, with Stanley Hall, Treasurer; Sam E. Watkins, Superintendent of Schools; Lois Mongosa, Finance Manager; and Sharon Shuey, President of the School Board.