

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHELBYVILLE CENTRAL SCHOOLS

SHELBY COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
05/23/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---------------------------|----------------------|
| Treasurer | Michael Shreves | 07-01-13 to 04-30-15 |
| | Tammy Achenbach (interim) | 05-01-15 to 05-31-15 |
| | Nathaniel Day | 06-01-15 to 03-23-18 |
| | (Vacant) | 03-24-18 to 03-25-18 |
| | Salli S. Rooks (interim) | 03-26-18 to 06-30-18 |
| Superintendent of Schools | David A. Adams | 07-01-13 to 06-30-18 |
| President of the School Board | Dennis A. Hearne | 01-01-13 to 12-31-13 |
| | James C. Rees | 01-01-14 to 12-31-14 |
| | David Finkel | 01-01-15 to 12-31-15 |
| | Gayle Wiley | 01-01-16 to 12-31-16 |
| | David Finkel | 01-01-17 to 12-31-17 |
| | Mike Warble | 01-01-18 to 12-31-18 |



STATE OF INDIANA
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TO: THE OFFICIALS OF THE SHELBYVILLE CENTRAL SCHOOLS, SHELBY COUNTY, INDIANA

This report is supplemental to our audit report of the Shelbyville Central Schools (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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, incorporated within this report, was not verified for accuracy.

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

May 8, 2018

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS

FINDING 2015-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2013-001 from the immediately prior audit.

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 Treasurer was responsible for performing the monthly bank reconciliation. There was no documentation of a control in place to prevent, or detect and correct, errors.

Receipts

The Treasurer wrote receipts, posted receipts, took deposits to the bank, had access to the system to make adjustments, approved adjustments, and reconciled the bank accounts without a proper system of oversight, review, or approval.

Context

The lack of internal controls was systemic, occurring 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.

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. . . ."

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

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, including segregation of duties, related to the Financial Transactions and Reporting.

Views of Responsible Officials

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

FINDING 2015-002

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

Repeat Finding

This is a repeat of Finding 2013-002 from the immediately prior audit.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer was the person solely responsible for preparing and submitting the SEFA. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control.

Context

The lack of controls was a systemic problem throughout the audit period. The SEFA contained the following errors:

1. The Child Nutrition Cluster was omitted, resulting in an understatement of \$2,937,699.
2. The Title I Grants to Local Education Agencies program was understated by \$181,567.
3. The Special Education Cluster (IDEA) was understated by \$203,728.
4. The English Language Acquisition State Grants program was omitted, resulting in an understatement of \$65,514.
5. The Supporting Effective Instruction State Grants program was understated by \$121,075.
6. All program names were incorrect and the CFDA numbers were omitted.

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

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

Criteria

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

"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.

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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 that the School Corporation's management establish controls, including segregation of duties, related to the SEFA.

Views of Responsible Officials

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

FINDING 2015-003

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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): 13-7365, 14-7365, 15-7365

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting, Special
Tests and Provisions - Comparability

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Cash Management and Reporting. The prior audit finding number was 2013-007.

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Cash Management, Reporting, and Special Tests and Provisions - Comparability.

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

Cash Management

The School Corporation had one employee primarily responsible for monitoring that program costs were paid by the entity prior to requesting reimbursement. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control.

Reporting

The School Corporation had one employee primarily responsible for completing and submitting required reports. There was no segregation of duties, such as an oversight, review, approval process, or other compensating control.

Special Tests and Provisions - Comparability

The School Corporation had one employee primarily responsible for completing and submitting the required Comparability reports. There was no segregation of duties, such as an oversight, review, approval process, or other compensating control.

Context

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

Cause

Management had not developed a system of internal controls that would ensure compliance with the compliance requirements listed above.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 related to the grant agreement and compliance requirements listed above.

SHELBYVILLE CENTRAL 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 2015-004

Subject: Special Education Cluster (IDEA) - Internal Controls

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-088-PN01, 14214-088-PN01,
14215-088-PN01, 99914-088-TA01,
A58-3-13DL-1457, 45713-088-PN01,
45714-088-PN01, 45715-088-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting, Activities Allowed or
Unallowed, Allowable Costs/Cost Principles, Period
of Availability of Federal Funds

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding of the immediately prior audit regarding Cash Management and Reporting. The prior audit finding number was 2013-008.

Condition

Management of the School Corporation had not established an effective internal control system over requirements related to the grant agreement and the following compliance requirements: Cash Management, Reporting, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability of Federal Funds.

Cash Management

The School Corporation had one employee primarily responsible for monitoring that program costs were paid by the entity prior to requesting reimbursement. There was no segregation of duties, such as an oversight, review, approval process, or other compensating control.

Reporting

The School Corporation had one employee primarily responsible for completing and submitting reimbursement requests. There was no segregation of duties, such as an oversight, review, approval process, or other compensating control.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability of Federal Funds

Payroll claims were not always reviewed and approved by someone other than the person preparing the claim prior to payment. There was no other documented compensating control.

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

There were no internal controls in place related to Cash Management and Reporting for the first nine months of the audit period. The lack of controls related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability of Federal Funds was a systemic problem 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. . . ."

Cause

Management had not developed a system of internal controls that would ensure compliance with the compliance requirements listed above.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 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 2015-005

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): FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests
and Provisions - School Food Accounts, Special Tests
and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system over the following compliance requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

A control process had not been documented to ensure that the School Lunch fund's net cash resources were limited to three months average expenditures.

Eligibility

The School Corporation had not established an effective control over the determination of eligibility for free and reduced priced meals. The School Corporation contracted with an outside company, whose employees determined eligibility during the audit period. There was no documentation of an oversight or review process, or other compensating control, to ensure eligibility was properly determined.

Reporting

A control process had not been established to ensure the Annual Financial Reports, Verification Summary Reports, and Sponsor Claims (claims for reimbursements) were accurate prior to submission. The School Corporation contracted with an outside company that was responsible for preparing and submitting the reports. There was no documentation of an oversight or review process, or other compensating control, to ensure reports were completed and accurate prior to submission.

Special Tests and Provisions - School Food Accounts

A control process had not been established to ensure that federal reimbursement payments were promptly credited to the School Lunch fund. One person was primarily responsible for posting federal reimbursements. There was no documentation of an oversight or review process or other compensating control.

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

A control process had not been established to ensure that the paid lunch equity calculations were accurate. The Food Service Director was responsible for compliance with paid lunch equity requirements. An oversight or review process, or other compensating control, had not been established.

Context

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

SHELBYVILLE CENTRAL 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. . . ."

Cause

Management had not developed a system of internal controls that would ensure compliance with the requirements listed above.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements 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 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 2015-006

Subject: School Breakfast Program and National School Lunch Program - Program Income
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): FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective control to ensure program income was properly recorded in the financial records. Program income was posted based upon spreadsheets prepared by the cafeteria managers. There was no control in place to ensure that the spreadsheet agreed to sales

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

figures reported in the School Corporation's Food Service program. The spreadsheets for the 2014-2015 school year were not presented for audit. Sales reports presented for the year were incomplete and could not be re-generated because of a change in the food service program software, so it could not be determined if program income was properly recorded during that year.

Context

The lack of controls over Program Income was a systemic problem throughout the audit period. The lack of documentation prevented the ability to determine if the School Corporation complied with the Program Income compliance requirement for the 2014-2015 school year.

Criteria

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

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit related to the Program Income compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Program Income compliance requirement is maintained and made available for audit.

Views of Responsible Officials

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

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2015-007

Subject: School Breakfast Program and National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers or Years (or Other Identifying Numbers): FY13-14, FY14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Audit Findings: Material Weakness, Modified Opinion

Condition

Management of the School Corporation had not established an effective internal control system to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. The School Corporation contracted with an outside company, whose employees were responsible for verifying free and reduced price applications. There was no documentation that an oversight or review process, or other compensating control, had been established to ensure the accuracy of the verifications and that the proper number of applications were verified.

Verification of Free and Reduced Price Applications for the 2013-2014 school year were not presented for audit, so it could not be determined if the School Corporation complied with the compliance requirement.

An Administrative Review of the National School Lunch Program was conducted by the Indiana Department of Education on February 17-20 and 27, 2015. One of the findings from that review regarding Verifications stated in part:

- No applications were directly verified; however, the Verification Summary Report states that seven were validated using the Direct Verification process.
- All supporting verification documentation was not kept on file.

Context

The lack of controls was a systemic problem throughout the audit period. The lack of documentation prevented the ability to determine if the School Corporation complied with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement for the 2013-2014 school year.

Criteria

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

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

SHELBYVILLE CENTRAL SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement is maintained and made available for audit.

Views of Responsible Officials

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

Shelbyville Central Schools

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CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Salli S. Rooks
Contact Phone Number: 317-392-2505 x 1258

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have updated our procedures to have someone responsible for receiving the money and preparing the paperwork. This is given to the next person to write up the deposit and take to the bank. The receipts are entered into our software program and posted. At the end of the month, the bank statement is reconciled by multiple people.

Anticipated Completion Date: March 2018

FINDING 2015-002

Contact Person Responsible for Corrective Action: Salli S. Rooks
Contact Phone Number: 317-392-2505 x 1258

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Shelbyville Central Schools will establish controls that will comply with all applicable grant laws and regulations. The Grant Coordinator will provide the documentation needed to set accounts up according to the grant. New procedures will be put into place whereas the Business Manager will work with the Grant Coordinator and/or another person in the Central Office to review documentation prior to the grant schedule being submitted on Gateway.

Anticipated Completion Date: During the audit we were notified of this finding and new procedures were implemented to make sure that we were compliant. Also, when the new Business Manager takes over in July 2018 these procedures will be discussed with him for future compliance.

FINDING 2015-003

Contact Person Responsible for Corrective Action: Salli S. Rooks
Contact Phone Number: 317-392-2505 x 1258

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have established controls where there are multiple people involved with the setting up of accounts within the grants. The grant coordinator will provide the approved grant amounts so that appropriations can be set up accordingly. Reporting will be handled through joint effort of multiple staff members. We will set up so that there are multiple people reviewing all reports, including the Comparability Report and submitting all of the reports. Multiple people will review and sign off on all of the reports, including the Comparability Report prior to being submitted. Shelbyville Central Schools intends to comply with all applicable grant laws and regulations.

Anticipated Completion Date: The new procedures were put in place while the audit was being completed. Controls over the Comparability Report will be implemented during the 2018-19 school year.

FINDING 2015-004

Contact Person Responsible for Corrective Action: Salli S. Rooks
Contact Phone Number: 317-392-2505 x 1258

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Shelbyville Central Schools will have someone responsible for reviewing the documentation and another person responsible for carrying out the process of payroll and reporting. Timesheets are reviewed and signed off by building administrators prior to being submitted to the district office for processing. Two people will review the expenditure reports prior to submitting the reimbursement requests and sign off on them. The Payroll Clerk prepares the payroll. The Treasurer proofs and approves prior to processing. The Treasurer and the School Board approve the detailed payroll reports at the monthly Board meetings.

Anticipated Completion Date: This was corrected in the middle of the previous audit.

FINDING 2015-005

Contact Person Responsible for Corrective Action: Salli S. Rooks
Contact Phone Number: 317-392-2505 x 1258

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Shelbyville Central Schools will set up controls whereas the School Lunch Manager and Business Manager will work together to make sure the net cash expenditures will be set up to be compliant. Monitoring will be put in to place within the buildings to ensure that eligibility is being properly determined for free and reduced meals. The Business Manager will review and approve the reports provided by Chartwells prior to submission. Multiple people will be involved in the oversight of federal reimbursements and handling of funds. The

Business Manager and the School Lunch Manager will work together to ensure that paid lunch equity is accurate.

Anticipated Completion Date: Shelbyville Central Schools will begin setting up the new controls and processes once the new Business Manager is hired and will begin implementation in the 2018-19 school year.

FINDING 2015-006

Contact Person Responsible for Corrective Action: Salli S. Rooks
Contact Phone Number: 317-392-2505 x 1258

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The current program allows for balancing between what the cashiers deposit and what is reported in the system. The online program where parents pay in to their child's account is balanced back to the bank statement by someone in the Central Office. This is verified during the final bank reconciliation. Sales figures will be obtained from the school lunch software and posted to the school lunch fund. Controls will be implemented during the 2018-19 school year with the new Business Manager and Cafeteria Manager.

Anticipated Completion Date: 2018-19 School Year

FINDING 2015-007

Contact Person Responsible for Corrective Action: Salli S. Rooks
Contact Phone Number: 317-392-2505 x 1258

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Shelbyville Central Schools and Chartwells will work together to ensure that records are retained. Verification of Free and Reduced Price Applications will be verified by the proper percentage required and documentation will be kept.

Anticipated Completion Date: This will be discussed and implemented by the new Business Manager in the 2018-19 school year.



(Signature)

Interim Business Manager/Treasurer

(Title)

May 7, 2018

(Date)

SHELBYVILLE CENTRAL SCHOOLS
AUDIT RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

The School Corporation did not establish a salary schedule for noncertified personnel.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank balances were not properly completed for May and June 2015. The outstanding check list as of June 30, 2015, did not include three items totaling \$1,500,524. After corrections were made to the outstanding check list, the reconciled bank balance was \$7,795 more than the funds ledger balance as of June 30, 2015.

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."

OVERDRAWN CASH BALANCES

This is a repeat comment from the immediate prior audit B43381.

The cash balances of the following funds were overdrawn at June 30, 2014, and June 30, 2015:

| Fund | Amount Overdrawn June 30, 2014 | Amount Overdrawn June 30, 2015 |
|----------------------------------|--------------------------------------|--------------------------------------|
| Prepaid Food | \$ 7,395 | \$ - |
| Textbook Rental | - | 784,634 |
| BRSEC General | - | 346 |
| ICJ Safe Haven Grant | 763 | - |
| BRF Mentoring 12-13 | 621 | - |
| Prevention Services Grant 13-14 | 442 | - |
| SMS Mentoring 13-14 | 3,284 | 818 |
| BRF ELL Grant | 16 | - |
| Gifted and Talented 14-15 | - | 2,572 |
| Performance Based Awards | - | 187 |
| Title I 2014-15 | - | 216,165 |
| IDEA Special Ed 2013-14 | - | 100 |
| IDEA Special Ed 2014-15 | - | 133,621 |
| IDEA Part B Preschool 2014-15 | - | 5,168 |
| Title II Part A 14-15 | - | 22,642 |
| Title III - Language Instruction | - | 4,182 |

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)

SHELBYVILLE CENTRAL SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 8, 2018, with David A. Adams; Superintendent of Schools; Mary E. Harper, Assistant Superintendent of Schools; Salli S. Rooks, Interim Treasurer; Tammy Achenbach, Deputy Treasurer; Mike Warble, President of the School Board; Curtis Johnson, School Board member; and David Finkel, School Board member.