

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
BARR-REEVE COMMUNITY SCHOOLS, INC.
DAVISS COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
05/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Lottes Tamara Swartzentruber	07-01-14 to 12-31-16 01-01-17 to 12-31-18
Superintendent of Schools	Travis Madison	07-01-14 to 06-30-20
President of the School Board	Scott Lottes Galen Graber Ronald Boyd Lana Helms Alex Knepp	07-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

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

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

April 10, 2018

BARR-REEVE COMMUNITY SCHOOLS, INC.
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). The School Corporation implemented an internal control over the preparation of the SEFA during the audit period, but the control was not effective as material misstatements of the SEFA remained undetected.

Context

The following errors occurred on the SEFA: commodities, totaling \$40,683, were not reported for the National School Lunch Program, and federal expenditures in the Special Education Cluster (IDEA) were understated by \$159,024. This resulted in a net understatement of the SEFA, totaling \$199,707. In addition, Title I Grants to Local Educational Agencies was incorrectly reported as being part of a cluster.

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. . . ."

BARR-REEVE COMMUNITY SCHOOLS, INC.
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 that the School Corporation's management establish effective controls related to the preparation of the SEFA.

Views of Responsible Officials

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

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

Condition

Management of the School Corporation had not established an adequate internal control system related to Financial Transactions and Reporting of the Self-Insurance fund.

The School Corporation utilized a third-party administrator to administer the Barr-Reeve Community Schools Employee Benefit Trust (Self-Insurance fund). The administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income and expenditures and ending cash balances. The School Corporation used the reconciliation worksheets to enter the receipts and disbursements to the Self-Insurance fund on the financial statement.

There was no evidence of internal controls to verify that the information received from the administrator was accurate or to ensure that the receipts and disbursements reflected in the Self-Insurance fund on the financial statement were accurate.

Context

This was a systemic problem as controls over the Self-Insurance fund did not exist during 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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control to ensure proper reporting of the receipts, disbursements, and cash balances of the Self-Insurance fund.

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish a proper system of internal control could have enabled misstatements within the Self-Insurance fund to occur and remain undetected.

Recommendation

We recommended that the School Corporation's management establish controls to verify the accuracy of the information received from the administrator to ensure proper reporting of Self-Insurance fund transactions 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.

FINDING 2016-003

Subject: Title I Grants to Local Educational Agencies - 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): 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

Repeat Finding

This is a repeat finding from the immediate prior audit. 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 Allowable Costs/Cost Principles compliance requirement.

There were multiple instances in which unallowable costs were charged to Title I Grants to Local Educational Agencies (Title I).

The School Corporation prepared monthly Personnel Activity Reports for three Title I teachers for fiscal year 2014-2015, which indicated that 13.33 percent of the teachers' time was allocated to activities other than Title I. However, the School Corporation paid the teachers' full salaries from July to December 2014 from Title I funds, which resulted in \$8,064 in expenditures charged to Title I that should have been expended from other sources.

The School Corporation also allocated a portion of the elementary principal's salary to Title I from January 1 to June 30, 2015, for serving as Title I Director, which resulted in \$2,972 in expenditures charged to Title I that were unallowable costs.

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

The School Corporation prepared monthly Personnel Activity Reports for a Title I substitute teacher from August to November 2015, which indicated that 13.33 percent of the teacher's time was allocated to activities other than Title I. However, the School Corporation paid the substitute teacher's full salary from Title I funds, which resulted in \$260 in expenditures charged to Title I that should have been expended from other sources.

The School Corporation purchased \$500 in gift cards and \$532 in food for Title I family nights during fiscal year 2014-2015.

Several employees worked solely within the Title I federal award during both audit years. However, no Semi-Annual Certifications were prepared for these employees. In addition, monthly Personnel Activity Reports were not prepared for the elementary principal from January 1 to June 30, who worked on multiple activities/cost objectives, and the monthly Personnel Activity Reports prepared for one employee were not signed by the employee or a supervisory official.

Context

The unallowable costs and time and effort reporting issues were systemic problems throughout the audit period. During both years under audit, unallowable costs were charged to the grant, and the School Corporation did not complete all of the time and effort reporting required under the Title I grant.

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 states in part:

"1. 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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

2. Reasonable costs. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. The question of reasonableness is particularly important when governmental units or components are predominately federally-funded. In determining reasonableness of a given cost, consideration shall be given to:

- a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the governmental unit or the performance of the Federal award.
- b. The restraints or requirements imposed by such factors as: sound business practices; arms length bargaining; Federal, State and other laws and regulations; and, terms and conditions of the Federal award.
- c. Market prices for comparable goods or services.
- d. Whether the individuals concerned acted with prudence in the circumstances considering their responsibilities to the governmental unit, its employees, the public at large, and the Federal Government. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. 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,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

- (e) An unallowable activity and a direct or indirect activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
 - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. . . ."

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. . . ."

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

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

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month. . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part:

"Gift Cards - gift cards are never an allowable expense, as there is no guarantee the card will be used on educationally-related purchases. . . ."

Food - Generally, there is a very high burden of proof to show that paying for food and beverages with Federal funds is necessary to meet the goals and objectives of a Federal grant. . . ."

"Salaries of superintendents, assistant superintendents, treasurers, and 12 month/full-time principals and assistant principals are normally paid from general funds of the school corporation. Typically, these positions are covered by 12 month yearly contracts and cannot be reimbursed by Title I funds. . . ."

Cause

The School Corporation's 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 an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

The expenditures noted above for salaries, gift cards, and food purchases resulted in total unallowable costs of \$12,328 under the grant. This amount was considered questioned costs.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Title I Grants to Local Educational Agencies - Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): FY 14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

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.

Adequate internal controls were not in place over the Reporting compliance requirement to ensure the accuracy of the reports filed. During the period from July 2014 to May 2015, the Treasurer had the sole responsibility for preparing and submitting the reimbursement requests and the final expenditure reports. There was no segregation of duties such as an oversight, review, or approval process.

Context

The issue was isolated to fiscal year 2014-2015 and subsequently corrected in June 2015.

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 of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement for fiscal year 2014-2015. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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 Reporting 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 2016-005

Subject: Title I Grants to Local Educational Agencies - Special Tests
and Provisions - Participation of Private School Children
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): FY 14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Participation
of Private School Children
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-004.

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 Special Tests and Provisions - Participation of Private School Children compliance requirement.

For program year 2014-2015, the School Corporation mailed a letter to private school officials in the school attendance area stating that services were available to private school children under the Title I Grants to Local Educational Agencies. However, the letter did not offer a meeting date for consultations between the School Corporation and private school officials regarding participation of private school children.

Context

The internal control and compliance issues were isolated to program year 2014-2015 and subsequently corrected for program year 2015-2016.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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. . . ."

20 USC 7881(c)(1) states:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials. Such agency and private school officials shall both have the goal of reaching agreement on how to provide equitable and effective programs for eligible private school children, on issues such as—

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services;
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel, the amount of funds available for those services, and how that amount is determined;
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of services through potential third-party providers; and
- (G) whether the agency, consortium, or entity shall provide services directly or through a separate government agency, consortium, or entity, or through a third-party contractor; and
- (H) whether to provide equitable services to eligible private school children-
 - (i) by creating a pool or pools of funds with all of the funds allocated under subsection (a)(4)(C) based on all the children from low-income families in a participating school attendance area who attend private schools; or
 - (ii) in the agency's participating school attendance area who attend private schools with the proportion of funds allocated under subsection (a)(4)(C) based on the number of children from low-income families who attend private schools."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Participation of Private School Children 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 - Assessment System Security
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
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 Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation developed a written test security policy. However, it provided only general information and did not adequately address the School Corporation's specific policies and procedures for assessment system security.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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). . . ."

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

Indiana Assessment Program Manual, Chapter 10, Section 9, Part D states:

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

- Specify that secure test materials should not be delivered to school buildings more than one week (preferably less) in advance of test administration;
- Specify that teachers and other school staff members are not allowed access to secure materials (except for the Examiner's Manual) more than 24 hours in advance of test administration; and
- Describe the entity's plan for ensuring the security of assessment materials during testing and storage of all secure assessment materials before, during, and after testing. All test materials should be stored at a central location under lock and key.

Locally developed written test security policies should include, but not be limited to, the following:

A description of the entity's procedures/plan to:

1. Ensure that all appropriate staff have knowledge of the *Code of Ethical Practices and Procedures* and understand how to secure, administer, and handle the assessments while in their possession.
2. Ensure all appropriate staff receive test administration and test security training prior to testing.

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

3. Ensure staff members who will provide students with testing accommodations are familiar with each student's individual accommodation needs as per the student's Individual Education Plan (IEP), Individual Learning Plan (ILP), Section 504 Plan, and/or nonpublic school Service Plan prior to testing.
4. Ensure staff members who will provide students with testing accommodations receive focused training on providing such accommodations prior to testing.
5. Communicate to all appropriate staff at least once annually the standards for determining what is ethical or appropriate practice contained in the *Code of Ethical Testing Practices and Procedures*, as well as any additional local standards.
6. Define and clearly communicate at least once annually for all appropriate staff how staff implementation of test administration and test security standards and procedures will be monitored by school administrators.
7. Define and clearly communicate at least once annually for all appropriate staff all security procedures established for each assessment.
8. Provide any other information and professional development necessary to ensure that all appropriate staff have the knowledge and skills necessary to make ethical decisions related to preparing students for an assessment, administering the assessment, and interpreting the results from assessment.
9. Establish a testing schedule.
10. Establish an access policy for test materials that allows only appropriate staff to have access to test administration manuals prior to the administration of the test, but prohibits the reviewing of any secure test questions before, during, or after the assessment administration.
11. Establish a process that ensures all student assessments are secure when they are not being administered.
12. Establish procedures for reviewing practices and materials used in the entity to prepare students for assessments, and communicating these procedures at least once annually to all appropriate staff.
13. Review annually school materials and practices related to preparing students for assessments, administering assessments, securing assessments, and interpreting the results from assessments. The description must include an explanation regarding how the school corporation will ensure test preparation materials used by school staff are appropriate and do not violate test security protocols.
14. Monitor testing to ensure staff are administering assessments with fidelity in terms of test administration and test security protocols/procedures and that staff are appropriately providing students with accommodations included in their IEPs, ILPs, Section 504 Plans, or Service Plans.
15. Provide channels of communication that allow teachers, administrators, students, parents, and other community members to voice their concerns about testing practices they consider inappropriate (see the *Testing Concerns and Security Violations Report* form in *Appendix B*).

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

16. Establish procedures for investigating any complaint, allegation, or concern about inappropriate testing practices, and ensuring protection of both the rights of individuals and of the integrity of the assessment.
17. Investigate any complaint of inappropriate testing practices or testing irregularities according to the *Protocol for Reporting and Investigating Alleged Breaches or Irregularities* as established and published pursuant to 511 IAC 5-5-4 (see *Appendix A*)."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-007

Subject: Improving Teacher Quality State Grants -
Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
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

Condition

Management of the School Corporation had not established an effective an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

The School Corporation had not designed or implemented an effective internal control system to ensure that appropriate certifications for time worked on the Improving Teacher Quality State Grants are in compliance with program requirements. The Curriculum Director/Elementary Assistant Principal worked on multiple activities or cost objectives during the audit period. However, required time and effort logs for this employee were not presented for audit to substantiate time charged to the grant.

Context

The lack of controls and noncompliance were systemic issues 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 A-87 Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

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

- (a) More than on Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

- (e) An unallowable activity and a direct or indirect activity.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee.
 - (e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:
 - (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
 - (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
 - (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. . . ."

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. . . ."

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed a system of internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Improving Teacher Quality State Grants - Special Tests and Provisions - Participation of Private School Children
Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Number and Year (or Other Identifying Number): FY 14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Participation of Private School Children
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 Special Tests and Provisions - Participation of Private School Children compliance requirement.

For fiscal year 2014-2015, the School Corporation mailed a letter to private school officials in the school attendance area stating that services were available to private school children under the Improving Teacher Quality State Grants. However, the letter did not offer a meeting date for consultations between the School Corporation and private school officials regarding participation of private school children.

Context

The internal control and compliance issues were isolated to fiscal year 2014-2015 and subsequently corrected for fiscal year 2015-2016.

BARR-REEVE COMMUNITY SCHOOLS, INC.
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. . . ."

20 USC 7881(c)(1) states:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials. Such agency and private school officials shall both have the goal of reaching agreement on how to provide equitable and effective programs for eligible private school children, on issues such as—

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services;
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel, the amount of funds available for those services, and how that amount is determined;
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of services through potential third-party providers; and
- (G) whether the agency, consortium, or entity shall provide services directly or through a separate government agency, consortium, or entity, or through a third-party contractor; and
- (H) whether to provide equitable services to eligible private school children—
 - (i) by creating a pool or pools of funds with all of the funds allocated under subsection (a)(4)(C) based on all the children from low-income families in a participating school attendance area who attend private schools; or
 - (ii) in the agency's participating school attendance area who attend private schools with the proportion of funds allocated under subsection (a)(4)(C) based on the number of children from low-income families who attend private schools."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Participation of Private School Children compliance requirement.

BARR-REEVE COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer

Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer has worked with management and will implement better controls when preparing the Schedule of Expenditures of Federal Awards. The Superintendent will compare the prepared schedule to supporting documentation for accuracy, changes will be made as necessary, and the Superintendent will approve the final version. The expenditures will be reported to match the receipts. Commodities for the National School Lunch Program will be reported.

Anticipated Completion Date: August 2018

Tamara Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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Montgomery, IN 47558
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FAX (812) 486-3509
www.barr.k12.in.us
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Ronald Boyd, Board Member
Lana Helms, Board Member
Alex Knepp, Board Member

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CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Description of Corrective Action Plan:

Views of Responsible Official: We concur with the finding.

Due to the sensitive nature and HIPPA regulations associated with the Trust, Barr-Reeve Community Schools will continue to ensure Dunn & Associates follows all requirements set forth in the trust agreement. Dunn & Associates has had several different agencies audit and review their records. They will continue to submit to these audits and inform Barr-Reeve Community Schools immediately if there are any findings associated with funds related to the Barr-Reeve Community Schools Benefit Trust.

The true Self Insurance Reserve fund (1100) is reported and maintained by Barr-Reeve Community Schools. The district will continue to ensure all transactions associated with that fund are subject to the regular approval process per board policy.

Anticipated Completion Date: May 2018

Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-003

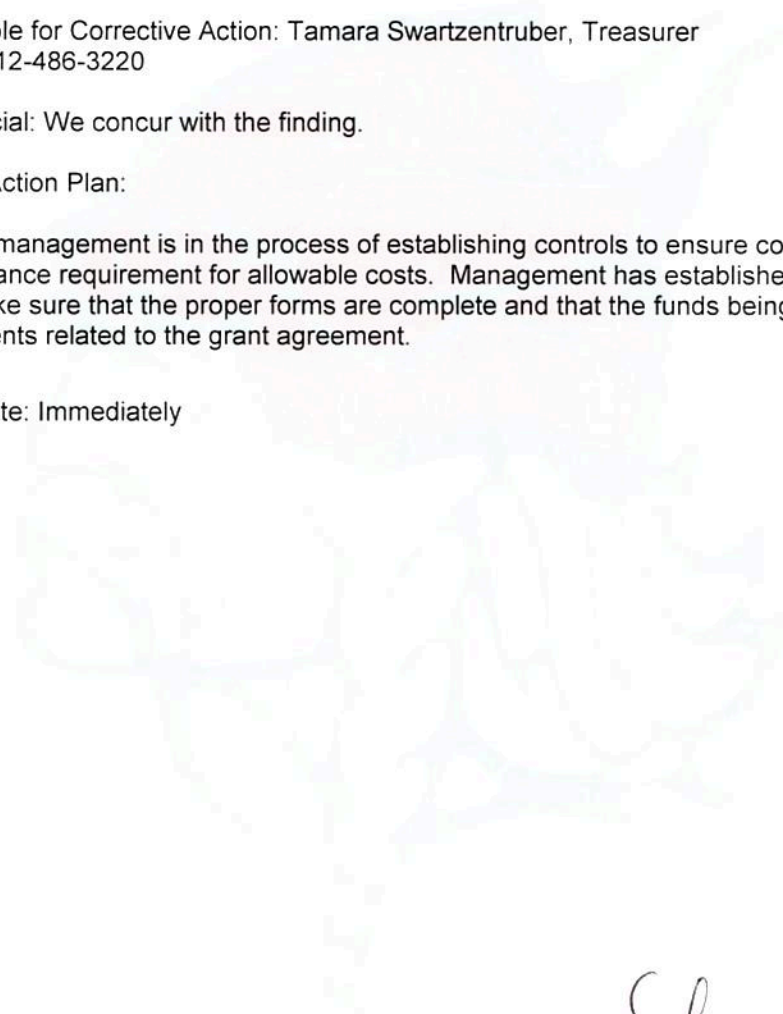
Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation's management is in the process of establishing controls to ensure compliance with the grant agreement and the compliance requirement for allowable costs. Management has established better communication between each other to make sure that the proper forms are complete and that the funds being paid out of Title I are in compliance with requirements related to the grant agreement.

Anticipated Completion Date: Immediately


Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-004

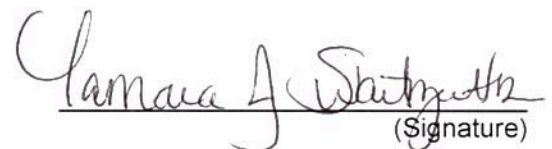
Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The school has implemented additional control procedures. We have established segregation of duties by making sure proper oversight, reviews and approvals take place and have a separation of functions over certain activities related to program.

Anticipated Completion Date: June 2015



(Signature)

Treasurer

(Title)

4-5-2018

(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-005

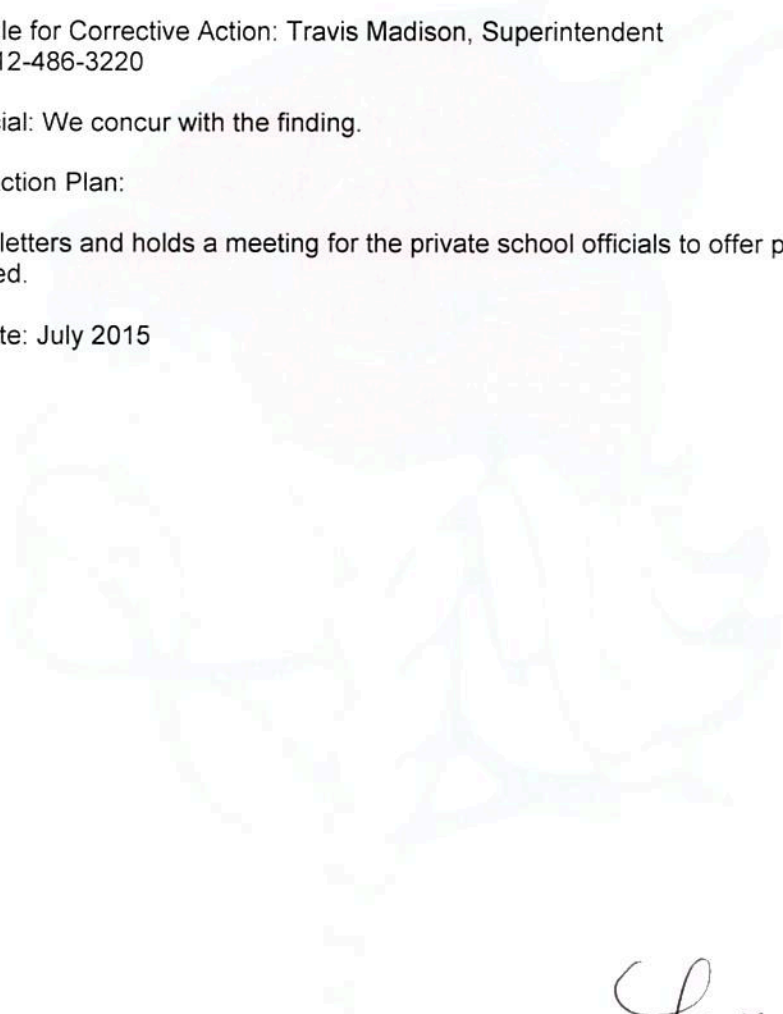
Contact Person Responsible for Corrective Action: Travis Madison, Superintendent
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The superintendent sends letters and holds a meeting for the private school officials to offer private school children any educational services needed.

Anticipated Completion Date: July 2015


Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2016
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-006

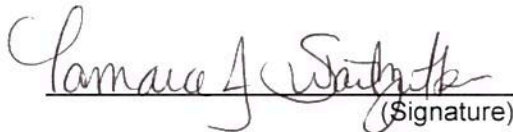
Contact Person Responsible for Corrective Action: Travis Madison, Superintendent
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation's management will establish controls to ensure compliance and comply with the Special Tests and Provisions – Assessment System Security compliance requirement.

Anticipated Completion Date: July 2018



(Signature)



(Title)



(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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CORRECTIVE ACTION PLAN

FINDING 2016-007

Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation's Management will establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirements.

Anticipated Completion Date: June 2018

Tamara J. Swartzentruber
(Signature)

Treasurer
(Title)

4-5-2018
(Date)

Travis Madison, Superintendent
Tamara Swartzentruber, Treasurer
Lisa Claridge, Secretary

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BARR-REEVE COMMUNITY SCHOOLS, INC.

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CORRECTIVE ACTION PLAN

FINDING 2016-008

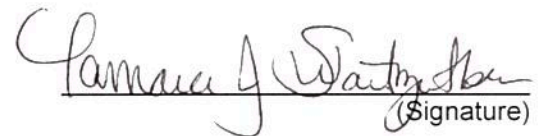
Contact Person Responsible for Corrective Action: Travis Madison, Superintendent
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The superintendent sends letters and holds a meeting for the private school officials to offer private school children any educational services needed.

Anticipated Completion Date: July 2015


(Signature)

Treasurer
(Title)

4-5-2018
(Date)

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Tamara Swartzentruber, Treasurer
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BARR-REEVE COMMUNITY SCHOOLS, INC.
AUDIT RESULT AND COMMENT

FUND SOURCES AND USES

A similar comment also appeared in the prior five audit reports: Reports B41782 and B45682, entitled *FUND SOURCES AND USES*, and Reports B29623, B34358, and B38356, entitled *CAPITAL PROJECT FUND USES*.

Funds were disbursed from the Capital Projects fund totaling \$156,303 for items not authorized to be paid from a Capital Projects fund, per Indiana Code 20-40-8. Disbursements were made for musical instrument repairs, music stands, copy fees, office supplies, audit fees for the Extracurricular Accounts, pest control, parking lot sweeping, and monthly trash removal.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

BARR-REEVE COMMUNITY SCHOOLS, INC.
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2018, with Tamara Swartzentruber, Treasurer; Travis Madison, Superintendent of Schools; Alex Knepp, President of the School Board; and Ronald Boyd, School Board member.