

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION
MONTGOMERY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Eric W. Brewer Kristin Charles	07-01-14 to 06-30-15 07-01-15 to 06-30-18
Superintendent of Schools	Dr. Shawn E. Greiner	07-01-14 to 06-30-20
President of the School Board	Brad Monts	07-01-14 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE SOUTH MONTGOMERY COMMUNITY
SCHOOL CORPORATION, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the South Montgomery Community School Corporation (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

June 15, 2018

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2014-002.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, reconcilements, and reporting.

Reconcilements

One employee was responsible for performing the reconcilement of the depository account balance with the record balance. There were no controls in place, such as an oversight, review, or approval process of the bank reconcilements.

Receipts

One employee was responsible for writing the receipts for funds received and preparing the daily deposits for the bank accounts. There were no controls in place, such as an oversight, review, or approval of the receipts posted to the ledger.

Reporting

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. There were not adequate controls to ensure the accuracy of the transactions included in the records and reported in the financial statement. Due to the lack of controls, the School Corporation's financial statement contained the following errors:

1. Beginning balances were overstated for the School Lunch fund and the Textbook Rental fund by \$324,691 and \$131,394, respectively.
2. Receipts were overstated for the following funds and amounts: School Lunch fund for \$260,639, Textbook Rental fund for \$3,852, and the (IDEA, Part B) LEA Capacity Building (Silver) Grants fund for \$9,363. Receipts were understated for the following funds and amounts: Alternative Education fund for \$6,519, Tech Assist Professional Development fund for \$1,322, and School Technology fund for \$1,523.
3. Disbursements were overstated for the School Lunch fund and Textbook Rental fund by \$260,639 and \$127,541, respectively.

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

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

Criteria

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

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

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Cause

Management had not established a proper system of internal control.

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-002

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. 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 had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which was the source of the School Corporation's SEFA.

Context

The SEFA presented for audit contained the following errors:

1. Two federal programs were omitted.
2. Two federal programs had CFDA numbers omitted.
3. Federal expenditures were understated for five programs.
4. Federal expenditures were overstated for three programs.

In total, the SEFA was understated for \$1,227,016.

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.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish 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.

FINDING 2016-003

Subject: Child Nutrition Cluster - 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): FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior 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 Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that Program Income was properly recorded in the financial records.

The School Corporation did not comply with Program Income requirements. The School Corporation did not establish the School Lunch Clearing Fund (8400) to account for prepaid school lunch account balances. All monthly receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund (800). Due to the method of recordkeeping, Program Income could not be audited for either school year.

Context

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
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. . . ."

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Administrator and Uniform Compliance Guidelines, September 2008)

Cause

Management had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit.

Effect

The failure to establish effective internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure that prepaid receipts and program income receipts will be segregated and 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.

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 Numbers and Years (or Other Identifying Numbers): S010A130014, S010A140014,
S010A150014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Reporting compliance requirement.

Reimbursement requests were not properly prepared. Supporting documentation for key line items on the reimbursement requests was not presented for audit. The reimbursement requests were not mathematically correct. They did not properly cross foot as expenditures, for the reporting period did not add to the prior total expenditures to date.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. Additionally, the lack of supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

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. . . ."

34 CFR 80.20(b) states in part:

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that supporting documentation was maintained and made available for audit.

Effect

The failure to maintain and make supporting documentation available for audit prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that supporting documentation will be maintained and 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.

FINDING 2016-005

Subject: Title I Grants to Local Educational Agencies - Cash Management

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): S010A130014, S010A140014,
S010A150014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Cash Management compliance requirement.

The School Corporation commingled grant years in the ledger. It could not be determined if the School Corporation followed its budget or if total grant funds were requested. Cash balances for either grant year could not be determined.

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. Additionally, the commingling of grant years in the ledger prevented the determination of the School Corporation's compliance with the Cash Management compliance requirement.

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. . . ."

34 CFR 80.20(b) states in part:

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

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that grant years were not commingled in the ledger.

Effect

The failure to separate grant years in the ledger prevented the determination of the School Corporation's compliance with the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that grant years will be separated in the ledger.

Views of Responsible Officials

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

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-006

Subject: Title I Grants to Local Educational Agencies - Period of Performance
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): S010A130014, S010A140014,
S010A150014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

The School Corporation commingled grant years in the ledger. It could not be determined which of the grants was being used; therefore, it could not be determined if expenditures were made during the period of availability. Five of the fifteen reimbursement request could be traced to summary fund reports but none of the reimbursement requests for the audit period were supported by detail supporting documentation. The reimbursement requests that were supported by summary fund information could not be recreated as the fund reports did not designate the period being summarized.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. Additionally, the commingling of grant years in the ledger and the lack of detail supporting documentation prevented the ability to determine compliance with the Period of Performance compliance requirement.

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. . . ."

34 CFR 80.20(b) states in part:

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

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the grant years were not commingled in the ledger and detail supporting documentation was maintained and made available for audit.

Effect

The failure to separate grant years in the ledger and maintain and make available detail supporting documentation prevented the determination of the School Corporation's compliance with the Period of Performance compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that grant years will be separated in the ledger and detail supporting documentation will be 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.



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Corrective Action Plan- June 15, 2018

Audit Period: July 1, 2014-June 30, 2015 & July 1, 2015- June 30, 2016

Contact Person: Kristin Charles
Title: Director of Business & Human Resources
Phone Number: 765-866-0203
E-Mail: kristin.charles@southmont.k12.in.us

Finding 2016-001

We have implemented and will continue to involve multiple parties in the processing and reviewing of financials. We have reassigned duties within our corporation office to ensure there are multiple sets of eyes reviewing and checking the financials. On a daily basis the Asst. to the Director of Business & HR is creating the deposits and taking the money to the bank, the Student Systems Administrator is entering the receipts into Komputrol, and then the Director of Business is reconciling and completing month end procedures. After that is completed the bank statements and fund reports are provided to the Superintendent for his review. All parties are signing off during their part of the process. Our monthly reports are also sent to our outside contracted Fiscal Advisor for him to plug into our long term plan. The long term plan is then shared with the Superintendent and Director of Business/HR and they share it with the board. The fiscal advisor also presents to the school board two times a year. He also has several meetings with the Superintendent and Director of Business/HR throughout the year to review spending, budgeting, etc. We plan to have the portions that are not already completed done by 7/31/2018.

Finding 2016-002

We will seek out additional training to better understand the practice of entering our Federal Grant Rewards into Gateway. The Director of Business will enter the information into Gateway and the Superintendent will review before submission. We plan to have the portions that are not already completed done by 7/31/2018.



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Finding 2016-003

The Director of Business & Director of Operations have been working with Chartwells Food Service Director to better track and record payments. Some of these areas of finding have been addressed, but not before the completion of the period that was audited. The school has already engaged Karen Canary to establish the 8400 Fund and to realign the monies that have not been placed into the proper accounts. We will continuously work to ensure that we are tracking expenditures and revenue through all the proper accounts. The Chartwells Food Service Director, the Director of Operations, and Director of Business are working with the building level ECA Treasurers to ensure that we are keeping proper track of such things. We have implemented new reports in 2017 and as mentioned above will work with Karen Canary to have all funds set up and proper transfers done to complete the process.

We plan to have the portions that are not already completed done by 7/31/2018.

Finding 2016-004

We already have implemented a new system to meet all of the needs of Title I grant audit reporting. We have a shared Google shared drive that we are in the process of uploading all Title I documents into so that they are all in one place. This includes, but not limited to the Grant Application and all revisions, approval letter, reimbursement requests with the supporting documentation, the testing, and communications. We have also corrected the intermingling of grant years. We also have spreadsheets detailing the time frames that reimbursement requests were completed and the reports available to match up with such.



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We also are ensuring when there is any issue we document it in this file. The Title I Coordinator, Director of Business & Human Resources, Corporation Administrative Assistant, and the Superintendent all have access to this drive. We will keep a hard copy available in the Corporation Office for review. We will be filing all things by grant year and audit period specific. This is in process and will be completed by July 31, 2018. We will continue the practice that began after the last audit of a minimum of two individuals reviewing reimbursement requests (having a sign off completed) and the payrolls have specific segregation of duties in place as well.

Finding 2016-005

We already have implemented a new system to meet all of the needs of Title I grant audit reporting. We have a shared Google shared drive that we are in the process of uploading all Title I documents into so that they are all in one place. This includes, but not limited to the Grant Application and all revisions, approval letter, reimbursement requests with the supporting documentation, the testing, and communications. We have also corrected the intermingling of grant years. We also have spreadsheets detailing the time frames that reimbursement requests were completed and the reports available to match up with such. We are ensuring when there is any issue we document it in this file. The Title I Coordinator, Director of Business & Human Resources, Corporation Administrative Assistant, and the Superintendent all have access to this drive. We have a hard copy available in the Corporation Office for review. We will be filing all things by grant year and audit period specific. This is in process and will be completed by July 31, 2018. We will continue the practice that began after the last audit of a minimum of two individuals reviewing reimbursement requests (having a sign off completed) and the payrolls have specific segregation of duties in place as well.

Finding 2016-006

We already have implemented a new system to meet all of the needs of Title I grant audit reporting. We have a shared Google shared drive that we are in the process of uploading all Title I documents into so that they are all in one place. This includes, but not limited to the Grant Application and all revisions, approval letter, reimbursement requests with the supporting documentation, the testing, and communications. We have also corrected the intermingling of grant years. We also have spreadsheets detailing the time frames that



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reimbursement requests were completed and the reports available to match up with such. We are ensuring when there is any issue we document it in this file. The Title I Coordinator, Director of Business & Human Resources, Corporation Administrative Assistant, and the Superintendent all have access to this drive. We have a hard copy available in the Corporation Office for review. We will be filing all things by grant year and audit period specific. This is in process and will be completed by July 31, 2018. We will continue the practice that began after the last audit of a minimum of two individuals reviewing reimbursement requests (having a sign off completed) and the payrolls have specific segregation of duties in place as well.

Kristin Charles

Kristin Charles - Director of Business & HR

6/15/18

Dr. Shawn E. Greiner

Dr. Shawn Greiner - Superintendent

6/15/18



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June 20th, 2018

To Whom It May Concern:

This is in response to the audit that was completed for the periods of July 1st, 2014 – June 30th, 2016.

Response to Finding 2016-001: Many of the items detailed in this finding were corrected during the audit period or soon after. The timing of the audits meant that corrections were not fully executed at the time. We are confident that these are being accurately addressed and executed at this time. Our correction action plan will ensure that we remain in full compliance. Our goal is that a minimum of three persons have oversight on all things to remain in full compliance of segregation of duties. As far as the school lunch funds and textbook rental we are implementing additional steps to ensure that all deposits and expenditures are documented correctly.

Response to Finding 2016-002: We are working to make the proper corrections in Gateway and we will be receiving outside training to ensure that these are being completed correctly.

Response to Finding 2016-003: We have put a new reporting procedure from the food service to the building treasurers to the corporation office to ensure that money is being put into the proper funds. We are working closely with an outside individual to ensure all of these are set up properly in the corporation books as well. We will continue to receive training and information from SBOA, DOE, and IASBO and share that information with all those involved in the process.

Response to Finding 2016-004 & 2016-005 & 2016-006: The backup documentation that was missing was lost during moves and changes in staff. The superintendent reviewed backup documentation before it was processed for reimbursement. Also it is to be noted that in the summer of 2016 we did our best to clean up the fund numbers, receipt, and expenditure accounts in the Title I grant. We now have a checklist for all things related to Title Grant programs to ensure that we are all on the same page.



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Kristin Charles

Kristin Charles - Director of Business & HR

6/22/2018

Dr. Shawn G. Greiner

Dr. Shawn Greiner - Superintendent

6/22/2018

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following fund with overdrawn cash balances at June 30, 2015 and June 30, 2016, that were not related to a reimbursable grant fund.

Fund	Amount Overdrawn	
	6-30-15	6-30-16
Payroll Clearing	\$ 935,022	\$ 1,636,910

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 Schools, Chapter 1)

SOUTH MONTGOMERY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 15, 2018, with Kristin Charles, Treasurer; Dr. Shawn E. Greiner, Superintendent of Schools; Brad Monts, President of the School Board; Brett Higgins, Director of Operations and Technology; George Spencer, School Board member; Daryl Hutson, School Board member; Anna Roth, Director of Curriculum; and John Triller, Food Service Director.