

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

AVON COMMUNITY SCHOOL CORPORATION

HENDRICKS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
10/24/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cheryl Leiter	07-01-14 to 10-31-15
	(Vacant)	11-01-15 to 01-04-16
	Juanita Lavy	01-05-16 to 03-17-17
	(Vacant)	03-18-17 to 03-26-17
Director of Finance and Operations	Sheila Glass	03-27-17 to 06-30-19
	Brock Bowsher	07-01-12 to 06-30-16
	Dr. Scott Wyndham	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Margaret E. Hoernemann	03-21-12 to 06-30-19
President of the School Board	Anne L. Engelhardt	01-01-14 to 12-31-15
	Kimberly L. Woodward	01-01-16 to 12-31-17
	John K. McDavid	01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE AVON COMMUNITY SCHOOL
CORPORATION, HENDRICKS COUNTY, INDIANA

This report is supplemental to our audit report of the Avon 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 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

September 14, 2018

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch
Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Finding: Material Weakness

Repeat Finding

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

Condition

An 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.

The School Corporation failed to document proper review and oversight of the Semi-Annual Certifications that were completed for the Child Nutrition Cluster during the audit period.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective system of internal control placed the School Corporation at risk of noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and 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 2016-002

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Finding: Material Weakness

Condition

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

The School Corporation had not properly designed or implemented controls to ensure that the cash balance did not exceed the three-month average expenditures requirement.

Context

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

AVON 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management 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 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 compliance with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
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 requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not properly designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records to enable the determination of its compliance with Program Income requirements.

The School Corporation had not established 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 was a systemic issue, which occurred throughout the audit period and prevented the determination of the School Corporation's compliance with the Program Income requirements.

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). . . ."

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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; . . ."

7 CFR 215.7(d) states in part:

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

- (6) 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.

AVON 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: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program
CFDA Numbers: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
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 - Paid Lunch Equity compliance requirement.

The School Corporation did not have policies or procedures in place to ensure that Special Tests and Provisions - Paid Lunch Equity requirements were properly calculated and considered. The School Corporation retained the calculations for each school year, but did not provide the correct figures used for the calculation for the 2016 school year.

The School Corporation had not established internal controls, such as a review or approval process of the completion and accuracy of the Paid Lunch Equity calculation for both school years.

Context

The lack of controls was a systemic issue that occurred throughout the audit period. The non-compliance was isolated to the 2016 school year.

Criteria

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

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

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to . . .

(6) Records to document compliance with the requirements in § 210.14(e). . . ."

7 CFR 210.14 states in part:

"(a) *Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*). . . .

(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

AVON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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



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CORRECTIVE ACTION PLAN

FINDING 2016-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Sheila Glass, Corporation Treasurer & Emily Cates, Food Service Administrator

Contact Phone Number: (317) 544-6000

Views of Responsible Official: This finding was corrected in June 2016.

Description of Corrective Action Plan: Avon Community School Corporation (ACSC) will continue to implement practices in place since June 2016 including semi-annual certifications for all food service employees to certify that 100% of food service employee time is for activities authorized by federal child nutrition programs.

Anticipated Completion Date: Corrective action was completed in June 2016.

FINDING 2016-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Sheila Glass, Corporation Treasurer & Emily Cates, Food Service Administrator

Contact Phone Number: (317) 544-6000

Views of Responsible Official: This finding was corrected in June 2016.

Description of Corrective Action Plan: Beginning in June 2016, 3 month average expenditure reports were implemented and analyzed. These reports include 3 month average expenditures compared to the cash balance at the end of each month. The Corporation Treasurer and Food Service Administrator review these reports monthly to ensure that the cash balance does not exceed the three-month average expenditures requirement.

Anticipated Completion Date: Corrective action was completed in June 2016.

FINDING 2016-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Sheila Glass, Corporation Treasurer & Emily Cates, Food Service Administrator

Contact Phone Number: (317) 544-6000

Views of Responsible Official: This finding was corrected in June 2016.

Description of Corrective Action Plan: Beginning in June 2016, the school corporation implemented a School Lunch Clearing Fund (8400). Food Services provides a report monthly of pre-paid balances and sales to the Corporation Treasurer. Funds are transferred to accurately report and segregate prepaid school lunch account balances from other program revenue monthly.

Board of School Trustees

Pamela J. DeWeese
Anne L. Engelhardt
John K. McDavid
Cynthia L. Simmons
Kimberly L. Woodward

Administration

Superintendent
Margaret E. Hoernemann, Ph.D.
Associate Superintendent
John F. Atha, Ed.D.
Assistant Superintendent
Maryanne B. McMahon, Ph.D.
Director of Finance & Operations
Scott M. Wyndham, Ed.D.

Anticipated Completion Date: Corrective action was completed in June 2016.

FINDING 2016-004 (Auditor Assigned Reference Number)

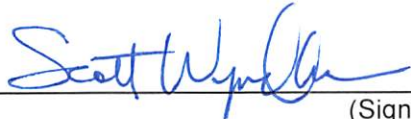
Contact Person Responsible for Corrective Action: Sheila Glass, Corporation Treasurer & Emily Cates, Food Service Administrator

Contact Phone Number: (317) 544-6000

Views of Responsible Official: This calculation error occurred in March of 2015 and was completed by a contracted service provider who was providing food service direction while the Food Service Administrator was on a leave. This calculation error did not lead to an incorrect meal price because the board approved meal price was in compliance with the Paid Lunch Equity (PLE) requirement.

Description of Corrective Action Plan: The PLE calculation has been done correctly in every other year besides the year when it was completed by a contracted service provider. ACSC plans to continue its practice of the Food Service Site Supervisor preparing monthly claims for review by the Food Service Administrator. Annually, these claims are analyzed to determine compliance with PLE requirement and make recommendations for lunch prices for the following year.

Anticipated Completion Date: This was corrected in March of 2016 when the PLE calculation was updated for the 2016-2017 school year and been completed accurately since that time.



(Signature)

Director of Finance & Operations

(Title)

9/14/18

(Date)

AVON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2018, with Dr. Scott Wyndham, Director of Finance and Operations; Sheila Glass, Treasurer; Dr. Margaret E. Hornemann, Superintendent of Schools; and John K. McDavid, President of the School Board.