B51469

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

COMMUNITY SCHOOLS OF FRANKFORT

CLINTON COUNTY, INDIANA

July 1, 2015 to June 30, 2017

FILED
12/06/2018

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Leslie L. Michael	07-01-15 to 06-30-19
Superintendent of Schools	Donald DeWeese	07-01-15 to 06-30-19
President of the School Board	Sandra L. Miller	01-01-15 to 12-31-18

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE COMMUNITY SCHOOLS OF FRANKFORT, CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of the Community Schools of Frankfort (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2018

FINDING 2017-001

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 2015/2016, 2016/2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

There was no evidence of oversight or a review performed on the time worked by the Food Services' managers. Managers' timesheets or monthly time logs were not signed by the Food Service Director or an appropriate supervisor. The Food Service Director and Assistant Directors did not have a contract or any School Board-approved salary schedule to verify these employees' earnings were proper and adequate.

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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, 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 2017-002

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 2015/2016, 2016/2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

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 Cash Management compliance requirement.

There were no controls in place to ensure that the School Lunch monthly balances were limited to 3 months average expenditures. The School Lunch fund balance for the School Corporation exceeded its 3 months average expenditures in all 24 months of the audit period. The 3 months averages of expenditures of the School Lunch fund for fiscal year 2016 and fiscal year 2017 were $522,309 and $526,030, respecttively. Cash balance averages for fiscal year 2016 and fiscal year 2017 were $2,269,829 and $2,509,589, respectively.

Context

The lack of controls and noncompliance were systemic issues, 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). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e)(1)(iv) states: "Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

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, which would include segregation of duties, enabled 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.

COMMUNITY SCHOOLS OF
FRANKFORT
Donald DeWeese, Ed.S., Superintendent of Schools
Joel McKinney, Ed.S., Assistant Superintendent

2400 E. Wabash St. • Frankfort, Indiana 46041 • www.frankfortschools.org • 765.654.5585 • 765.659.6220

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Diane Stiening, Food Service Director, Leslie Michael, Treasurer
Contact Phone Number: (765)654-8545 (765)654-5585

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Corporation Treasurer and the Food Service Director meet monthly to balance month end reports. The Superintendent will meet with building principals, Food Service Director and managers to reiterate the internal controls for processing payroll and personnel forms. The need for multiple signatures proving review of such documents.

The review of the Foodservice Managers time logs will be reviewed and signed by the building principal and Foodservice Supervisor before submitting to payroll. If prior review is found to be absent from forms the Payroll Specialist will return to the proper supervisor for review.

Foodservice personnel found not to have the proper contract will be updated at the November 13, 2018 board meeting.

Anticipated Completion Date: Meeting will be held prior to November 30, 2018 and ongoing to ensure proper compliance.

FINDING 2017-002

Contact Person Responsible for Corrective Action: Diane Stiening, Food Service Director, Leslie Michael, Treasurer
Contact Phone Number: (765)654-8545 (765)654-5585

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Corporation Treasurer and the Food Service Director meet monthly to balance month end reports.

The corporation board has approved the hiring of a Food Service Supervisor to oversee the day to day building level oversight. The corporation will be updating the Middle School kitchen and dining room equipment to help bring down the cash balance. The Foodservice Director will contact the Indiana Department of Education to obtain permission to offer free breakfast and lunch to all students in the district for a period of 2 ½ school years beginning January 2019.

Anticipated Completion Date: June 1, 2021.

Leslie L Michael
(Signature)

Treasurer
(Title)

10/23/2018
(Date)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B46898.

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2016 and 2017:

	Amount Overdrawn	
Fund	June 30, 2016	June 30, 2017
HS Reno Construction	$ (115)	$ -
Alternative Education	(89,276)	(128,852)
Safe Routes to Schools	(46,637)	(46,637)
Performance Based Awards	(9,020)	(9,020)
School Performance Awards HS	(2,382)	(2,382)
Senator David Ford Technology	(30,708)	(29,990)
Perkins 2013-2014	(5,254)	(5,254)
21st Century 2012-13	(144)	(244)
Title III 2012-13	(1,658)	(1,658)
Title III-WDA	(3,289)	(3,289)

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. In an instance in which a unit receives a reimbursement grant, the unit must be claiming reimbursement in a timely manner. In this case, it would be possible for a fund to be overdrawn for a short period of time. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

COMPENSATION AND BENEFITS

School Board Approval

Compensation for the positions noted below were not established in a labor contract, salary ordinance, resolution, or salary schedule adopted by the School Board.

Director of Finance
Maintenance Director
Food Service Director
Food Service Assistant Director

Policies and Procedures

The School Corporation is not following their own policies and procedures (5.9 Classified Personnel Paid on a Salary Basis) as it relates to the payroll for the hourly food service employees.

The School Corporation's policy does not allow hourly food service employees to be paid on a salary basis. Based on the policy, hourly food service employees should be paid on an hourly basis and be required to complete timesheets instead of the monthly time logs that are required for classified personnel paid on a salary basis.

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

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The School Corporation's Employee Handbook states in part:

"Classified salaries have been approved as hourly rates. Every non-certified employee must complete and sign a time sheet for each pay period or a time for each week of work. They are paid on a salary basis spread out over a school year or calendar year pay schedule. . . .

Elementary Paraprofessionals and Assistants: . . .
Secondary Paraprofessionals and Assistants: . . .
Skilled Paraprofessionals and Assistants: . . .
Bus Drivers & Bus Aides: . . .
Twelve Month Maintenance/Custodians: . . .
School Year Custodians: . . .
Twelve Month Secretaries: . . .
School Secretaries: . . ."

(Community Schools of Frankfort, Employee Handbook, Section 5.9 Classified Personnel Paid on a Salary Basis)

COMMUNITY SCHOOLS OF FRANKFORT
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2018, with Leslie L. Michael, Treasurer; Donald DeWeese, Superintendent of Schools; Sandra L. Miller, President of the School Board; and Joel McKinney, Assistant Superintendent of Schools.