

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

DEKALB COUNTY EASTERN
COMMUNITY SCHOOL DISTRICT
DEKALB COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/21/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Maria Conwell	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Jeffrey Stephens	07-01-16 to 06-30-19
President of the School Board	Leon Steury	07-01-16 to 06-30-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE DEKALB COUNTY EASTERN COMMUNITY
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the DeKalb County Eastern Community School District (School Corporation), for the period from July 1, 2016 to June 30, 2018. 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 Finding, identified in the above referenced audit report, is included in this report.

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

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

February 26, 2019

DEKALB COUNTY EASTERN COMMUNITY SCHOOL DISTRICT
FEDERAL FINDING

FINDING 2018-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

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) financial reporting system, which was the source of the School Corporation's SEFA. The federal award information was entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$73,949 and \$61,134, for the periods ending June 30, 2017 and 2018, respectively, due to the omission of the National School Lunch Program Commodities.
2. The Special Education Cluster (IDEA) expenditures were overstated by \$5,730,654 and \$5,984,299, for the periods June 30, 2017 and 2018, respectively, due to reporting the amounts for the entire Northeast Indiana Special Education Cooperative.

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. . . .

DEKALB COUNTY EASTERN COMMUNITY SCHOOL DISTRICT
FEDERAL FINDING
(Continued)

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

DEKALB COUNTY EASTERN COMMUNITY SCHOOL DISTRICT
FEDERAL FINDING
(Continued)

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls 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.

DEKALB COUNTY EASTERN COMMUNITY SCHOOL DISTRICT

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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Maria Conwell, Business Manager
Contact Phone Number: 260-868-2125

Views of Responsible Official: The responsible official concurs with the finding.

Description of Corrective Action Plan: The Business official will make every effort to comply with Finding 2018-001 by instituting a system of internal controls for SEFA reporting. This process will include adding the National School Lunch Program Commodities on future SEFA reporting. The Special Education clusters expenses will be reported solely for DeKalb Eastern on the SEFA. A second representative in the Business office will review the amounts on the SEFA prior to submission.

Anticipated Completion Date: Ongoing



(Signature)

Business Manager

(Title)

02/26/2019

(Date)

It is the mission of DeKalb County Eastern C.S.D., in concert with the community, to provide all learners with skills to adapt intellectually and socially to their changing environment.



DEKALB COUNTY EASTERN COMMUNITY SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2019, with Maria Conwell, Treasurer; Dr. Jeffrey Stephens, Superintendent of Schools; and Leon Steury, President of the School Board.