

**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, 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	Juanita Lavy	07-01-16 to 03-17-17
	(Vacant)	03-18-17 to 03-26-17
	Sheila Glass	03-27-17 to 06-30-19
Superintendent of Schools	Dr. Margaret E. Hoernemann	07-01-16 to 06-30-19
President of the School Board	Kimberly L. Woodward	07-01-16 to 12-31-17
	John K. McDavid	01-01-18 to 12-31-18
	Anne Engelhardt	01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

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, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertains 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/](http://www.in.gov/sboa/).

The Federal Finding, identified in the above referenced audit report, is 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 Finding 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

February 28, 2019

AVON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDING

***FINDING 2018-001***

Subject: School Breakfast Program and National School Lunch Program - 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): FY2017, FY2018  
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 audit finding number was 2016-001.

*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 established a Prepaid Lunch Account fund. During the months of July 2016 to November 2017, initial collections from parents were incorrectly recorded in the School Lunch fund with a monthly transfer made to the Prepaid Lunch Account fund. The monthly transfer amount was the amount needed to balance the Prepaid Lunch Account fund to the unused student account balances.

For the months of December 2017 to June 2018, initial collections from parents were correctly accounted for in the Prepaid Lunch Account fund, with a monthly transfer made to the School Lunch fund in the amount of earned revenue.

The accounting system established by the School Corporation is an accrual based system and the Prepaid Lunch Account fund was established as a liability account. Due to the method of recordkeeping, program income could not be audited for the 2016-2017 school year and only limited procedures could be applied to the 2017-2018 school year.

*Context*

The lack of controls and noncompliance were systemic problems for the period of July 1, 2016 through November 30, 2017. The lack of adequate supporting documentation prevented the future determination of the School Corporation's compliance with the Program Income compliance requirement.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

AVON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDING  
(Continued)

(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(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 Bulletin and Uniform Compliance Guidelines, September 2008)

7 CFR 3016.20(b) states in part:

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

(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. . . ."

AVON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDING  
(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. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a sub-recipient. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement, the Program Income compliance requirement, and that supporting documentation related to program income was maintained and made available for audit.

*Effect*

The failure to establish an effective internal control system enabled noncompliance and the lack of sufficient supporting documentation prevented the future determination of the School Corporation's compliance with the grant agreement and the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management maintains the internal control system implemented in December 2017 to ensure that documentation will be maintained and available for audit relating to the grant agreement and the Program Income compliance requirement.

*Views of Responsible Officials*

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



7203 EAST U.S. HIGHWAY 36  
AVON, IN 46123  
PHONE: (317) 544-6000  
FAX: (317) 544-6001  
www.avon-schools.org

CORRECTIVE ACTION PLAN

**FINDING 2018-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Sheila Glass  
Contact Phone Number: 317-544-6041

Views of Responsible Official: We concur with the finding. We self-identified this error in December 2017 and have corrected since January 2018.

Description of Corrective Action Plan:

Beginning in December 2017, ACSC changed our procedures to meet the remaining requirements described in the School Administrator volume 211. We began accounting for deposits made on student accounts in the School Lunch Clearing Fund (8400) and making the recommended monthly transfers to the School Lunch Fund (800) for earned income. This finding was corrected in January 2018.

Anticipated Completion Date:

This finding was corrected in January 2018.

Scott M. Wyndham, Ed.D.  
Assistant Superintendent  
Avon Community School Corporation

**Board of School Trustees**

Gregory J. Dana  
Anne L. Engelhardt  
Anita D. Overton  
Cynthia L. Simmons  
Kimberly L. Woodward

**Administration**

**Superintendent**  
Margaret E. Hoernemann, Ph.D.  
**Assistant Superintendents**  
Maryanne B. McMahon, Ph.D.  
Scott M. Wyndham, Ed.D.

AVON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

The YMCA Latchkey Grant fund and the ECA Field Trip fund were each overdrawn throughout the audit period as noted in the following schedule:

Fund	June 30, 2017 Amount Overdrawn	June 30, 2018 Amount Overdrawn
ECA Field Trip	\$ 27,787	28,608
YMCA Latchkey Grant	85,646	106,152

The costs assigned to the YMCA Latchkey Grant fund have exceeded the revenue assigned to the fund over time.

The ECA Field Trip fund was designed to incur initial expenses and to be reimbursed for these expenses by either the School Transportation fund or the General fund. The School Corporation has not been consistent in transferring monies to reimburse the ECA Field Trip fund for costs incurred.

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 Indiana Public School Corporations, Chapter 1)



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OFFICIAL RESPONSE

March 7, 2019

State Board of Accounts  
302 W. Washington Street  
Room E 418  
Indianapolis, IN 46204-2765

To Whom It May Concern,

This communication serves as Avon Community School Corporation's (ACSC) official response to the audit result and comment pertaining to Overdrawn Cash Balances for the audit period of July 1, 2016 to June 30, 2018.

The YMCA Latchkey fund is a self-sustaining fund that does not include any state or local tax dollars. This fund is used for costs associated with the latchkey program and over the course of this fund's existence, expenses exceeded revenue. ACSC will address this through a one-time recommendation to the ACSC Board of School Trustees to transfer funds from the Operations Fund to the YMCA Latchkey fund to address the negative balance.

The Extra-Curricular Account (ECA) Field Trip fund is a self-sustaining fund that does not include any state or local tax dollars. This fund is used to pay for all extra-curricular field trips that are provided by ACSC's Transportation Department. ACSC has guidelines outlining field trips that are billed to the ECA and those that are funded by the Operations Fund. The negative fund balance exists because not all field trips are charged to the ECA fund and those should be reimbursed from the Operations Fund as a student transportation expense. ACSC will transfer funds from the Operations Fund to the ECA Field Trip fund to address the negative balance. ACSC has implemented procedures which include improved processes between ACSC Transportation and Finance Departments, as well as semi-annual transfer resolutions presented to the ACSC Board of School Trustees.

Sincerely,

Scott M. Wyndham, Ed.D.  
Assistant Superintendent

**Board of School Trustees**

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AVON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 28, 2019, with Shiela Glass, Treasurer; Scott Wyndham, Director of Finance and Operations; Dr. Margaret E. Hoernemann, Superintendent of Schools; and Anne Engelhardt, President of the School Board.