

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BREMEN PUBLIC SCHOOLS

MARSHALL 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	Stephanie K. Pittman	07-01-16 to 06-30-19
Superintendent of Schools	Dr. James A. White	07-01-16 to 06-30-19
President of the School Board	Todd Stuckman Suzanne Ginter Brian Teall	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BREMEN PUBLIC SCHOOLS, MARSHALL COUNTY, INDIANA

This report is supplemental to our audit report of the Bremen Public Schools (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 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

February 13, 2019

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS

FINDING 2018-001

Subject: School Breakfast Program and the National School Lunch Program - Internal Controls
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): FY 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-003.

Condition

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

Eligibility

Physical applications for free and reduced price meal benefits submitted to the School Corporation were input into the food service software by one employee. There was no control in place to ensure that the information was entered accurately.

Reporting

The School Corporation implemented controls which required the Food Service Director to review and approve the School Food Authority (SFA) Verification Collection Reports prepared by the School Lunch Account Assistant. However, there was no documentation of this process.

Context

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

Criteria

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). . . ."

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Child Nutrition Cluster - Equipment

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): FY 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

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 Equipment and Real Property Management compliance requirement. The School Corporation did not comply with requirements for managing equipment.

Property records for equipment did not include the source of funding or the percentage of federal participation in the cost. Additionally, no approval was obtained from the Indiana Department of Education for purchases over \$5,000.

Context

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

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

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). . . ."

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any disposition data including the date of disposal and sale price of the property. . . ."

2 CFR 200.439(b) states in part:

"The following rules of allowability must apply to equipment and other capital expenditures:
. . .

- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

BREMEN PUBLIC SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance with the grant agreement and the Equipment and Real Property 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.



Administration Office

512 W. Grant St. • Bremen, IN 46506 • 574-546-3929 • 574-546-6303 • www.bps.k12.in.us

Dr. Jim White
Superintendent

Mrs. Stephanie Pittman
Treasurer

Ms. Terri Biddle
Supt Sec/Deputy Treas

Mrs. Michele Liverman
Payroll/Acct Associate

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Stephanie Pittman
Contact Phone Number: 574-546-3929

Views of Responsible Official: Concurrence with the finding

Description of Corrective Action Plan:

Eligibility – Physical applications for free and reduced-price meals benefits are submitted to the Elementary/Middle School Office. The Principal's Secretary is responsible for the entry of the data into the student management system. Once the data is entered, the application is sent to the Corporation Treasurer for review. The Corporation Treasurer compares the data on the physical application with the data entered into the student management system. The Corporation Treasurer then initials the physical application and electronically approves the application in the student management system.

Reporting – The Verification Collection Reports are completed by the Elementary/Middle School Principal's Secretary. The Elementary/Middle School Assistant Principal's Secretary reviews the report and documents the review.

Anticipated Completion Date:

Eligibility - The review was put in place in August 2018 when free and reduced-price meal applications were submitted for the 2018-2019 school year.

Reporting – The review was put in place for the 2018-2019 school year. The report for the 2018-2019 school year has been reviewed.

Stephanie Pittman
(Signature)

Treasurer
(Title)

2/7/2019
(Date)



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Supt Sec/Deputy Treas

Mrs. Michele Liverman
Payroll/Acct Associate

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Stephanie Pittman
Contact Phone Number: 574-546-3929

Views of Responsible Official: Concurrence with the finding.

Description of Corrective Action Plan:

The property records will be updated to reflect the Federal participation in the purchase of equipment for the Food Service Department.

The Food Service Director was made aware of the requirement for approval from the Indiana Department of Education for purchases over \$5,000. The request for approval will be a part of the procurement process.

Anticipated Completion Date:

Property records will be updated by June 30, 2019.

The request for approval process is already in place and was completed for a purchase in the fall of 2018.

Stephanie Pittman
(Signature)

Treasurer
(Title)

2/7/2019
(Date)

BREMEN PUBLIC SCHOOLS
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B44947 and B49349.

The cash balance of the Textbook Rental fund was overdrawn \$67,526 and \$24,401 at June 30, 2017, and June 30, 2018, respectively. The cash balance of the Background Check fund was overdrawn \$629 and \$1,036 at June 30, 2017, and June 30, 2018, respectively.

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)

BREMEN PUBLIC SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2019, with Stephanie K. Pittman, Treasurer; Dr. James A. White, Superintendent of Schools; Todd Stuckman, School Board member; and Todd Huff, School Board member.