

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH ADAMS SCHOOLS

ADAMS COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED

03/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rebecca Biberstein	01-01-16 to 12-31-19
Superintendent of Schools	Scott Litwiller	07-01-16 to 06-30-19
President of the School Board	Arlene Amstutz	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH ADAMS SCHOOLS, ADAMS COUNTY, INDIANA

This report is supplemental to our audit report of the South Adams 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 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

March 11, 2019

SOUTH ADAMS SCHOOLS
FEDERAL FINDING

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: 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 School Corporation had an approval process involving the review of the SEFA to ensure the SEFA was accurate; however, the approval process did not detect the errors in the SEFA.

Context

The SEFA presented for audit contained the following errors:

1. The National School Lunch Program Commodities were understated in the amount of \$13,185 for fiscal year 16-17.
2. The Special Education Cluster (IDEA) expenditures were understated by \$125,877 and \$159,702 for fiscal year 16-17 and fiscal year 17-18, respectively.
3. Expenditures for the NESP State Grant were reported on the SEFA, resulting in an over-statement of \$15,797 and \$19,553 for fiscal year 16-17 and fiscal year 17-18, respectively.

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.

SOUTH ADAMS SCHOOLS
FEDERAL FINDING
(Continued)

An integral part of the control activity component is segregation of duties. . . .

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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."

SOUTH ADAMS SCHOOLS
FEDERAL FINDING
(Continued)

Cause

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

Effect

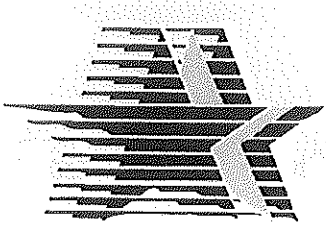
Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

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.



South Adams School

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<i>Scott Litwiler</i>	<i>Annette Schwartz</i>	<i>Rebecca Biberstein</i>	<i>Pam Hawbaker</i>
<i>Superintendent</i>	<i>Administrative Assistant</i>	<i>Treasurer</i>	<i>Grants Clerk</i>

CORRECTIVE ACTION PLAN

AUDIT PERIOD: JULY 1, 2016 – JUNE 30, 2018

FINDING 2018 -001

Contact Person Responsible for Corrective Action: Rebecca Biberstein(treasurer)
Contact Information: (260) 589-3133, bbiberstein@southadams.k12.in.us

Views of Responsible Official: South Adams concurs with the finding

Discription of Corrective Action Plan:

South Adams Schools will correct the Gateway Annual Reporting by creating instructions detailing how to complete the Federal Awards report accurately. The treasurer will execute the reports and the grants manager will review and sign off. The South Adams School treasurer will work with other treasurers in the Adams-Wells Special Service Cooperative to verify the information provided is accurate for our SEFA reporting.

Anticipated Completion Date: On or before August 29, 2019

Scott Litwiler _____ *2-28-19*
 Superintendent Date

Rebecca Biberstein _____ *2-28-19*
 Treasurer Date

SOUTH ADAMS SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 11, 2019, with Scott Litwiller, Superintendent of Schools; Rebecca Biberstein, Treasurer; and Arlene Amstutz, President of the School Board.