

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
BARR-REEVE COMMUNITY SCHOOLS, INC.  
DAVISS COUNTY, INDIANA  
July 1, 2016 to June 30, 2018



**FILED**  
03/29/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Lottes	07-01-16 to 08-09-16
	(Vacant)	08-10-16 to 10-04-16
	Tamara J. Swartzentruber	10-05-16 to 12-31-19
Superintendent of Schools	Travis Madison	07-01-16 to 06-30-20
President of the School Board	Ronald Boyd	07-01-16 to 12-31-16
	Lana Helms	01-01-17 to 12-31-17
	Alex Knepp	01-01-18 to 12-31-18
	Lana Helms	01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BARR-REEVE COMMUNITY  
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of the Barr-Reeve Community Schools, Inc. (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/](http://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

March 21, 2019

BARR-REEVE COMMUNITY SCHOOLS, INC.  
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 of Finding 2016-001 from the immediately prior audit.

*Condition*

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation implemented an internal control over the preparation of the SEFA; however, the control was not effective as material misstatements of the SEFA remained undetected.

*Context*

Due to the lack of controls, the SEFA contained the following errors: Commodities for the National School Lunch Program for both fiscal years were reported twice resulting in an overstatement of \$57,228; during fiscal year 2016-2017, the School Breakfast Program was overstated by \$966, the National School Lunch Program was overstated by \$12,439, and one grant for Supporting Effective Instruction State Grants was omitted totaling \$55,111.

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. . . .

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. . . .

BARR-REEVE COMMUNITY SCHOOLS, INC.  
FEDERAL FINDING  
(Continued)

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."

*Cause*

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

BARR-REEVE COMMUNITY SCHOOLS, INC.  
FEDERAL FINDING  
(Continued)

*Effect*

Without a proper system of internal controls 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.

# **BARR-REEVE COMMUNITY SCHOOLS, INC.**

*Dedicated Staff \* Engaged Students \* Involved Parents \* Devoted Community  
"Together We Are Better"*

## CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Tamara Swartzentruber, Treasurer

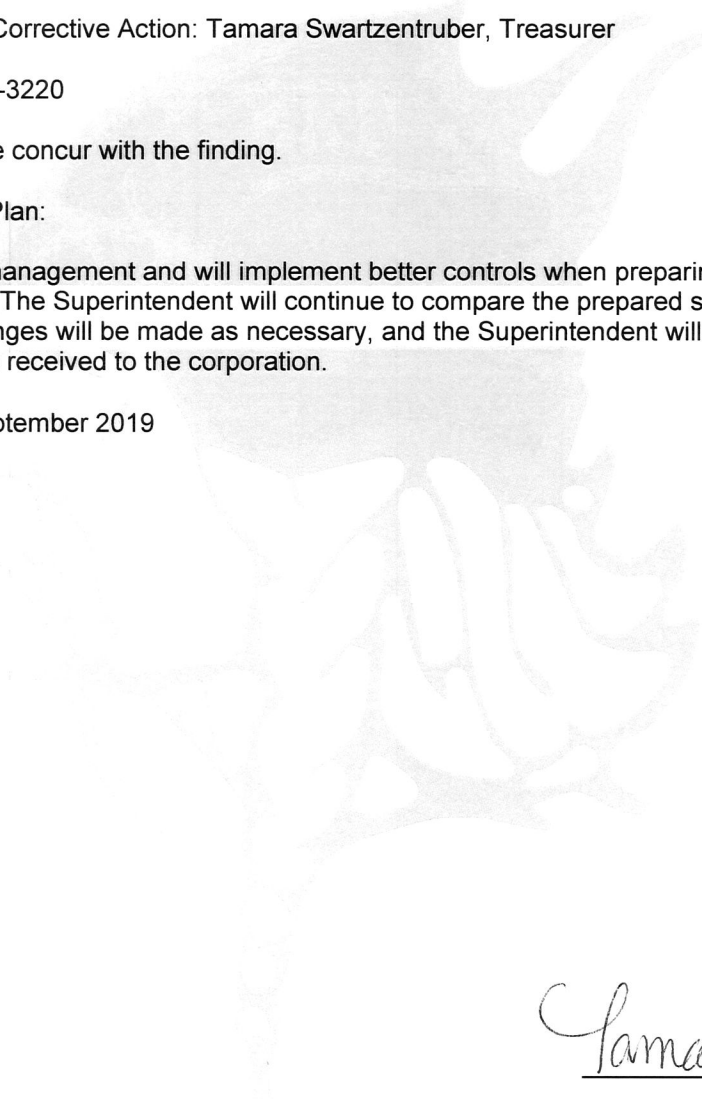
Contact Phone Number: 812-486-3220

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Treasurer has worked with management and will implement better controls when preparing the Schedule of Expenditures of Federal Awards. The Superintendent will continue to compare the prepared schedule to supporting documentation for accuracy, changes will be made as necessary, and the Superintendent will approve the final version. We will report all grants that were received to the corporation.

Anticipated Completion Date: September 2019

  
Tamara Swartzentruber  
(Signature)

Corporation Treasurer  
(Title)

3-7-2019  
(Date)

Travis Madison, Superintendent  
Andrea Huff, Career/Stem Director  
Tamara Swartzentruber, Treasurer  
Lisa Claridge, Secretary

P.O Box 97  
Montgomery, IN 47558  
(812) 486-3220  
FAX (812) 486-3509  
www.barr.k12.in.us

Lana Helms, Board Member  
Alex Knepp, Board Member  
Jody Schultheis, Board Member

BARR-REEVE COMMUNITY SCHOOLS, INC.  
AUDIT RESULTS AND COMMENTS

**ADVANCE PAYMENTS**

All full-time non-contract employees received their pay via direct deposit at the beginning of the last day of the pay period, which resulted in them being compensated in advance of service.

Compensation and any other payments for goods and services must not be paid in advance of receipt of the goods or services unless specifically authorized by law. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**TRAINING ON INTERNAL CONTROL STANDARDS**

The School Corporation adopted Internal Control Standards and Procedures (Policy 6111), which states in part ". . . *The Corporation shall. . . G. provide, upon employment and periodically thereafter, training concerning the internal control standards and procedures established for the Corporation for any personnel whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Federal government, State government, the Corporation, or other governmental entities. . .*" During the audit period, the School Corporation failed to ensure that all required personnel received the training. Subsequent to the audit period, the unit has begun training all required employees.

Indiana 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

BARR-REEVE COMMUNITY SCHOOLS, INC.  
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2019, with Tamara J. Swartzentruber, Treasurer; Travis Madison, Superintendent of Schools; and Jody W. Schultheis, School Board member.