

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION
FRANKLIN 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	Sharon Pohlman	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Debbie Howell	07-01-14 to 06-30-21
President of the School Board	Kim Simonson Francis Brumback	01-01-16 to 12-31-18 01-01-19 to 12-31-19



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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

TO: THE OFFICIALS OF THE FRANKLIN COUNTY COMMUNITY
SCHOOL CORPORATION, FRANKLIN COUNTY, INDIANA

This report is supplemental to our audit report of the Franklin County 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 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.

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

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

March 20, 2019

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

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 Treasurer entered federal award information on the Indiana Gateway for Government Units financial reporting system, which was used to generate the School Corporation's SEFA. The Superintendent of Schools reviewed this information prior to submission; however, material errors were undetected.

Context

The SEFA contained the following errors:

1. The Child Nutrition Cluster was understated by \$172,216.
2. The Special Education Cluster (IDEA) was overstated by \$676,229.
3. Program titles were incorrect.

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. . . ."

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. . . ."

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 an effective 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 and implement controls related to the preparation of the SEFA.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 - Internal Controls

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): FY2017, FY2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Procurement and Suspension and Debarment, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP), Special Tests
and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding of 2016-002 from the immediately prior audit report regarding Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

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 following compliance requirements: Procurement and Suspension and Debarment, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Procurement and Suspension and Debarment

The School Corporation had not designed or implemented adequate internal controls to ensure the Procurement and Suspension and Debarment compliance requirement was being met. One employee was responsible to ensure compliance with the procurement and suspension and debarment requirements without any oversight, review, or approval process.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation had not designed or implemented adequate internal controls to ensure that the verification of free and reduced price applications and any necessary changes to students' eligibility statuses were accurate. One employee performed the verification of applications without evidence of an oversight, review, or approval process.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure the accuracy of the paid lunch equity calculation. One employee performed the paid lunch equity calculations using the online calculator tool without evidence of an oversight, review, or approval process.

FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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). . . ."

Cause

The School Corporation's management had not implemented an adequate system of internal controls that would ensure compliance with the Procurement and Suspension and Debarment, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Procurement and Suspension and Debarment, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements. 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 effective internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

Dr. Debbie Howell
Superintendent of Schools

Ms. Tammy Chavis
Assistant Superintendent



BOARD OF TRUSTEES
Mr. Francis Brumback, President
Mr. Matthew Siedling, Vice-President
Mrs. Beth Foster, Secretary
Mr. Phil Harsh, Member
Mr. Rick Gill, Member
Mrs. Sharon Wesolowski, Member
Mr. Terry Bryant, Member

CORRECTIVE ACTION PLAN

FINDING 2018-001

Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action: Sharon Pohlman, Treasurer
Contact Phone Number: 765-647-4128 ext 1567

Views of Responsible Official: I concur that these items findings are correct.

Description of Corrective Action Plan:

SEFA

The Corporation Treasurer and the Superintendent will review the Gateway Annual Financial Report together each year to ensure that the information is correctly reported and that Internal Controls are in place before entering the information to Gateway. The Corporation Treasurer is now aware that the Secured Safety Grant is not a Federal Grant, and that the Food Service Commodities must be entered on the SEFA Report.

The Auditor supplied the Corporation Treasurer with corrections to the 2016-2017 and the 2017-2018 Gateway Annual Financial Report. These corrections will be completed before March 20, 2019.

Anticipated Completion Date: 2018-2019 Gateway Annual Financial Report

A handwritten signature in cursive script that reads "Sharon A. Pohlman".

(Signature)

Treasurer
(Title)

March 14, 2019
(Date)

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Dr. Debbie Howell
Superintendent of Schools

Ms. Tammy Chavis
Assistant Superintendent



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Mrs. Sharon Wesolowski, Member
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CORRECTIVE ACTION PLAN

FINDING 2018-002 ***Material Weakness***

Contact Person Responsible for Corrective Action: Courtney Halloran, Food Service Director
Contact Phone Number: 765-647-1128 ext 1561

Views of Responsible Official: I concur that these findings are correct.

Description of Corrective Action Plan:

Suspension and Debarment

Suspension and Debarment requirements are now be met with the use of the West Indy Co-op for use of food, non-food, paper, and commercial goods. The Food Service Director will ensure that all vendors used for purchasing will be compliant and accessible

Anticipated Completion Date: Immediately

Special Tests and Provisions- Verification

Verification will be conducted by the Food Service Director each first semester. The student eligibility, applications, and household incomes will be reviewed and signed by the Administrative Secretary to ensure that all the information and totals are correct before submission of the verification report. The final verification report prepared by the Food Service Director will also be reviewed and signed by the School Corporation Treasurer.

Anticipated Completion Date: December 2019

Paid Lunch Equity

The Paid Lunch Equity tool provided by the USDA will be completed by the Food Service Director each year. The Administrative Secretary will review the Paid Lunch Equity draft in comparison to the calculation of the lunch prices to ensure that totals are correct. The Administrative Secretary will sign off on the document if it is correct. The Food Service Director will submit the Paid Lunch Equity, and will present any price changes to the school board for approval.

Anticipated Completion Date: April 2019



(Signature)

Food Service Director

(Title)

March 14, 2019

(Date)

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FRANKLIN COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2019, with Sharon Pohlman, Treasurer; Dr. Debbie Howell, Superintendent of Schools; and Francis Brumback, President of the School Board.