

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MANCHESTER COMMUNITY SCHOOLS

WABASH COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/29/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Finding: Finding 2018-001 Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort.....	4-5
Corrective Action Plan.....	6
Audit Result and Comment: Capital Assets.....	7
Exit Conference.....	8

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Scott T. Bumgardner	07-01-16 to 06-30-18
	Jeremy A. Markham	07-01-18 to 06-30-19
Superintendent of Schools	Dr. William C. Reichhart	07-01-16 to 06-30-17
	(Vacant)	07-01-17 to 07-09-17
	Michael E. Pettibone (interim)	07-10-17 to 12-31-18
	Russ Mikel (interim)	01-01-19 to 06-30-19
President of the School Board	Stephen D. Flack	01-01-16 to 12-31-18
	Ruth Ayres	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

TO: THE OFFICIALS OF THE MANCHESTER COMMUNITY SCHOOLS, WABASH COUNTY, INDIANA

This report is supplemental to our audit report of the Manchester Community 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 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

March 4, 2019

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDING

FINDING 2018-001

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-058-PN01, 14216-056-PN01,
14217-056-PN01, 18611-056-PN01,
45716-056-PN01, 45717-056-PN01,
18619-056-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Auditing 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 level of effort - maintenance of effort (MOE) requirements.

The School Corporation reported incorrect amounts on the MOE Compliance Standard Final Expenditures reports for the 2016-2017 and 2017-2018 school years. The Transportation Director's salary and related benefits were incorrectly included in both years. Special Education bus drivers' wages and related benefits were included in the 2016-2017 report, but not in the 2017-2018 report. Additionally, the 2017-2018 report included the salaries and related benefits for four counseling staff members; however, only one of the counselors was involved in the special education program.

When calculating the state and local expenditures for the special education program to meet the MOE requirements, the School Corporation did not use consistent categories of expenditure accounts from year to year. Acceptable documentation or explanations of the changes in categories were not provided.

Context

The lack of internal controls and noncompliance were systemic issues, which occurred 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). . . ."

MANCHESTER COMMUNITY SCHOOLS
FEDERAL FINDING
(Continued)

34 CFR 300.203(b) states in part:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under IDEA, Part B must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis. . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the grant agreement and the MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

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 MOE requirements of the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2018-001

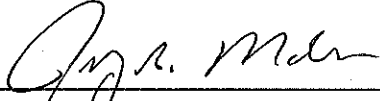
Contact person responsible for Corrective Action: Jeremy Markham/Kendra Miller
Contact phone number: 260-982-7518

Views of Responsible Official: A proper system of internal control needs to be in place to prevent, or detect and correct, errors on the School Corporation Maintenance of Effort (MOE) requirement.

Description of Corrective Action Plan:

1. Segregation of duties will be in place at Manchester Community Schools in order to be in compliance to the MOE requirements.
2. Manchester Community Schools will not include the transportation director's salary/benefits, and will include the counseling staff salaries/benefits only if the counselor is involved with the special education program.
3. Manchester Community Schools will be consistent and include the special education bus drivers' salaries/benefits for each school year reported.

ANTICIPATED COMPLETION DATE: FEBRUARY 18, 2019



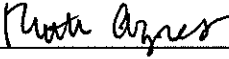
Signature

Business Manager

Title

3/4/19

Date



Signature

Board President

Title

3/4/2019

Date



MANCHESTER COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

The School Corporation did not properly maintain a complete detailed listing of capital assets owned.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

MANCHESTER COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 4, 2019, with Kendra J. Miller, Assistant Treasurer; Jeremy A. Markham, Treasurer; Russ Mikel, interim Superintendent of Schools; Ruth Ayres, President of the School Board; Michael Hensley, School Board member; and David W. Terflinger, School Board member.