

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ANDERSON COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/31/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kevin Brown	07-01-16 to 06-30-19
Superintendent of Schools	Terry L. Thompson Dr. Timothy Smith	07-01-16 to 06-02-17 06-03-17 to 06-30-19
President of the School Board	Patrick Hill	01-01-16 to 12-31-19



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ANDERSON COMMUNITY SCHOOL
CORPORATION, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the Anderson 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 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 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 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

March 12, 2019

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. 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), which was the source of the School Corporation's SEFA. The Deputy Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained numerous errors for a total overstatement of \$1,090,560. The material errors were as follows:

For fiscal year 2017:

- The Child Nutrition Cluster was overstated by \$712,908.
- The School Breakfast Program was overstated by \$44,610.
- The National School Lunch Program was overstated by \$718,888.
- The Summer Food Service Program for Children was understated by \$50,590.

For fiscal year 2018:

- The Child Nutrition Cluster was overstated by \$382,884.
- The School Breakfast Program was overstated by \$33,384.
- The National School Lunch Program was overstated by \$419,455.
- The Summer Food Service Program for Children was understated by \$69,955.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

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.

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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 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.

FINDING 2018-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting related to cash and investments.

There was no evidence of oversight over cash and investments during the audit period. During the review of the Bank Reconcilements, we identified a difference between the adjusted bank balance and the ledger at June 30, 2017, and June 30, 2018. At June 30, 2017, and June 30, 2018, the adjusted bank balance was higher than the ledger by \$144,739 and \$117,723, respectively.

Context

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

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Cause

Management of the School Corporation had not established a proper system of internal control controls that would ensure proper reporting of cash and investments balances.

Effect

The failure to establish controls enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting for cash and investments to ensure the accuracy of the financial information reported.

Views of Responsible Officials

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

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Cash Management, Reporting, Special Tests and Provisions - School Food Account, Special Tests and Provisions - Paid Lunch Equity

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: FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management, Reporting, Special Tests and Provisions - School Food Account, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Cash Management, Reporting, Special Test and Provisions - Paid Lunch Equity, and Special Tests and Provisions - School Food Accounts. The prior audit finding number was 2016-003.

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 Allowable Costs/Cost Principles, Cash Management, Reporting, Special Tests and Provisions - Paid Lunch Equity, and Special Tests and Provisions - School Food Account compliance requirements.

Allowable Costs/Cost Principles

For the majority of the audit period (twenty-one months), there was no evidence of oversight, review or approval process for Time and Effort maintenance.

Cash Management

For the majority of the audit period (twenty-one months), there was no evidence of oversight, review, or approval process for reimbursements by the School Corporation.

Reporting

For the majority of the audit period (twenty-one months), the reimbursement reports to the state were prepared and submitted by one individual without any evidence of oversight or review. The Verification Summary Reports are prepared and submitted by one individual without any evidence of oversight or review process.

Special Tests and Provisions - School Food Account

For the majority of the audit period (twenty-one months), receipts and disbursements were posted to the School Food Account by one individual without an oversight, review, or approval process.

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Paid Lunch Equity

Paid Lunch Equity calculations were prepared by the Food Service Director without an oversight, review, or approval process.

Context

The lack of controls was a systemic issue, which occurred throughout the majority of 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

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Activities/Cost Principles, Cash Management, Reporting, Special Tests and Provisions - School Food Account, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to establish an effective system of internal control placed the School Corporation at risk of noncompliance with the grant agreement and the Allowable Activities/Cost Principles, Cash Management, Reporting, Special Tests and Provisions - School Food Account, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Activities/Cost Principles, Cash Management, Reporting, Special Tests and Provisions - School Food Account, 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.

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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: FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. The School Corporation has not established monitoring procedures to ensure grant expenditures were for allowable activities and allowable costs.

Of the forty claims examined for the Child Nutrition Cluster during the audit period, one disbursement was made for the purchase of a gift in the amount of \$85. The claim was determined to be an unallowable activity for the Child Nutrition Cluster. The School Corporation was also unable to provide supporting documentation for another disbursement made during the audit period.

Context

The lack of controls and noncompliance were isolated events, which occurred during 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). . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(g) Be adequately documented. . . ."

7 CFR 210.2 states in part: ". . . . *Nonprofit school food service* means all food service operations conducted by the school food authority principally for the benefit of schoolchildren, all of the revenue from which is used solely for the operation or improvement of such food services. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Cost/Cost Principle compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Cost/Cost Principle compliance requirements.

Questioned Costs

There were no questioned costs identified during the audit period.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Cost/Cost Principle compliance requirements.

Views of Responsible Officials

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

FINDING 2018-005

Subject: Child Nutrition Cluster - Program Income

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: FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

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 the grant agreement and the Program Income compliance requirement that program income was properly accounted for in the School Corporation's records.

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not comply with requirements for accounting for program income generated from the operation of the school food service program. A separate fund is required for collections for prepaid meals. Collections for both prepaid meals and meals served were commingled within the School Lunch fund. The School Lunch fund should only include income from meals served. Additionally, the School Corporation Extra-Curricular (ECA) account balance did not agree to the balance reported in the School Lunch fund on the School Corporation's records at June 30, 2017, and June 30, 2018.

Context

The lack of controls and the 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). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . ."

(12) Maintain a financial management system as prescribed by the State agency; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At his point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

Cause

Management had not developed a system of internal controls that that would have ensured compliance with the Program Income 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 Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Program Income compliance requirement 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 2018-006

Subject: Title I Grants to Local Educational Agencies - Allowable
Costs/Cost Principles, Period of Performance

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers (or Other Identifying Numbers): S010A150014, S010A160014, S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Period of Performance

Audit Finding: Material Weakness

Repeat

This is a repeat finding from the immediately prior audit regarding Period of Performance. The prior audit finding number was 2016-005.

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 Allowable Costs/Cost Principles and Period of Performance compliance requirements.

Allowable Costs/Cost Principles

There was no evidence of the performance of a calculation of indirect costs allowed for comparison to amounts charged to the grant funds and no oversight or monitoring procedures in place to ensure indirect costs did not exceed the allowable amounts.

Period of Performance

Adjustments were made moving expenditures between grant funds with no evidence of oversight.

Context

The lack of controls was a systemic issue, 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). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles and Period of Performance 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 Allowable Costs/Cost Principles and Period of Performance compliance requirements.

Questioned Costs

There were no questioned costs identified.

ANDERSON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles and Period of Performance compliance requirements.

Views of Responsible Officials

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

FINDING 2018-007

Subject: Supporting Effective Instruction State Grants - Period of Performance
Federal Agency: Department of Education
Federal Program: Supporting Effective Instruction State Grants
CFDA Number: 84.367
Federal Award Numbers: S367A150013, S367A160013, S367A170013
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-007.

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 Period of Performance compliance requirement.

The School Corporation did not comply with the Period of Performance compliance requirement that all obligations for expenditures made from program funds were incurred within the period of performance. In one instance, the School Corporation requested reimbursement for expenditures incurred a month prior to the period of performance for the grant.

Grant adjustments were made between two grants during the audit period without evidence of monitoring for compliance with the Period of Performance compliance requirement. Adjustments were identified for expenditure transactions that were incurred within one grant year and adjusted to the subsequent grant year; however, the transactions adjusted were not within the period of performance for the subsequent grant year.

Context

The lack of controls and noncompliance were systematic issues, which occurred throughout the audit period.

ANDERSON COMMUNITY SCHOOL CORPORATION
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 200.309 states:

"A non-federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by 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 Period of Performance compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Period of Performance compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

Views of Responsible Officials

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



1600 Hillcrest Avenue • Anderson, Indiana 46011 • 765.641.2000 • FAX 765.641.2081

CORRECTIVE ACTION PLAN

Section II- Financial Statement Findings

FINDING 2018-001

Contact Person Responsible for Corrective Action: Janet Windlan, Deputy Treasurer
Contact Phone Number: 765-641-2006

Views of Responsible Official: **See Below**

Description of Corrective Action Plan:

The Schedule of Expenditures of Federal Awards (SEFA) report is a work in progress. This is a report that was previously done by the state board of account auditors for each audit. It has since become the responsibility of the corporations or organizations. We have tried to improve on this report for each audit period and I believe we have improved a great deal on reporting our financials correctly. The problem has been the inaccurate information that has been given to us for the food service department. We have been given resources to verify the information given to us by accessing the state website. After completing the report it is given to the Treasurer and CFO, Kevin Brown to verify and sign the report. The overstatements are actually the incorrect information that was reported on the SEFA from the food service department and are not actually shortages.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Janet Windlan, Deputy Treasurer
Contact Phone Number: 765-641-2006

Views of Responsible Official: **See Below**

Description of Corrective Action Plan:

The bank reconciliation program provided by an outside vendor has errors inherent in the program that we have been addressing since 2016. The bank statement showed an overstatement of \$144,739 at the end of June 2017 and we have found some of those errors in the program and now the statement is overstated by \$117,723 at the end of June 2018. We have the programmers from Software Systems, our current computer system, looking into the problems and they have stated that as of September 2018, they have found \$114,000 of the errors. Once they are up to date we will do an adjustment to fix the errors. Valorie Muncy does the bank statement each month and I verbally have been approving the work. I will from now on sign off on each statement that I have approved.

Section III- Federal Award Findings and Questioned Costs

FINDING 2018-003

Contact Person Responsible for Corrective Action: Donna Curtis, Director of Food Service
Contact Phone Number: 765-641-2096

Views of Responsible Official: **See Below**

Description of Corrective Action Plan:

CORRECTED: APRIL, 2018

Repeat Finding. This is a repeat finding from the immediately prior audit regarding Cash Management, Program Income, Reporting, Special Test and Provisions - Paid Lunch Equity, Special Tests and Provisions - School Food Accounts. The prior audit finding number was 2016-003.

- Allowable Activities: A Time / Effort (OMB-87) is now maintained by the Food Service Dept. on a semi-annual basis.**
- The claim for reimbursement is prepared by the Book-Keeper from the reports generated in the POS and reviewed prior to submission by the Director. The Verification Summary Report is prepared by the Free /Reduced Processor and is reviewed by the Director for accuracy.**
- Cash Management: A financial report is submitted to the Deputy Treasurer on a monthly basis. The Business Manager is given a copy of the report and also any requirements mandated by the State, such as the PLE and the Non Program Food Tool for his review. Commodity allowance is reported to the Deputy treasurer in the month February.**
- Special Tests and Provisions: The Food Service Dept has completely re-thought the cash flow process. In each school, the Cashier and the Manager count and prepare the deposit which after depositing is brought to the Central Office to the Book-keeper for the initial review and then taken to the Director to sign-off after checking the deposit against the report for an exact match. All Purchase orders are checked and initialed by the Director prior to payment.**

Section III- Federal Award Findings and Questioned Costs

FINDING 2018-004

Contact Person Responsible for Corrective Action: Donna Curtis, Director of Food Service
Contact Phone Number: 765-641-2096

Views of Responsible Official: **See Below**

Description of Corrective Action Plan:

When brought to the attention of the Food Service Director the practice of purchasing any bereavement condolences such as flowers, gifts, cards, etc to employees is not an allowable expenditure. This practice stopped immediately.

Section III- Federal Award Findings and Questioned Costs

FINDING 2018-005

Contact Person Responsible for Corrective Action: Donna Curtis, Director of Food Service
Contact Phone Number: 765-641-2096

Views of Responsible Official: **See Below**

Description of Corrective Action Plan:

CORRECTIVE ACTION: Work in Progress

It has been determined that eliminating the pre-pay option would be the simplest solution to this finding. Now that Anderson is a CEP district, only ala cart monies and adult lunch monies are collected via my school bucks to these pre paid accounts. This process will begin in March, 2019 through the remaining SY 18-19. No money will be collected past the month of March with the hope that all monies in the existing accounts will be exhausted by the end of SY 18-19. The Food Service Department and the Chief of Operations will determine the best methods to communicate to students and parents.

Section III- Federal Award Findings and Questioned Costs

FINDING 2018-006

Contact Person Responsible for Corrective Action: Pam Storm, Director of Federal Grants
Contact Phone Number: 765-641-2160

Views of Responsible Official: **See Below**

Description of Corrective Action Plan:

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:

Allowable Costs/Cost Principles and Period of Performance

There was no evidence of oversight of indirect costs charged to the grant funds.

Response to finding

When Title I final report is submitted the Deputy Treasurer will sign documentation as well as Federal Grants Coordinator to verify indirect cost is accurate and charged is within the legal amount.

Period of Performance

Adjustments were made moving expenditures between grant funds with no evidence of oversight

Response to finding

When an adjustment is made Deputy Treasurer will sign documentation as well as Federal grants coordinator. The Deputy Treasurer will keep documentation on file for 5 years.

Section III- Federal Award Findings and Questioned Costs

FINDING 2018-007

Contact Person Responsible for Corrective Action: Pam Storm, Director of Federal Grants
Contact Phone Number: 765-641-2160

Views of Responsible Official: **See Below**

Description of Corrective Action Plan:

Grant adjustments were made between two grants during the audit period without evidence of monitoring for compliance with the grant requirements over the period of performance. The adjustments were for expenditure transactions that were incurred within one grant period and transferred to another grant, for which was outside the period of performance.

Response to finding

When an adjustment is made Deputy Treasurer will sign documentation as well as Federal grants coordinator. Both parties will check and verify that all expenditures are within the grant period. The Deputy Treasurer will keep documentation on file for 5 years.

ANDERSON COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

SCHOOL LUNCH PROGRAM - FINANCIAL RECORDS

The School Corporation operated a separate School Lunch extracurricular account for Food Service office activities. This included all food service activities for all the individual schools in the School Corporation.

The Food Service office is located in the School Corporation's Administration office. Each school deposited their breakfast and lunch collections into the Food Service bank account. The Food Service office submitted requests for reimbursements for the federal lunch and breakfast programs. When those reimbursements were received by the School Corporation, they were put into a Clearing account and then transferred to the Food Service office. The Food Service office processed and approved their own disbursements related to operating the program.

The Food Service office maintained the financial records for the School Lunch fund and related prepaid accounts. At the end of each semester, the Food Service office provided financial information for the School Lunch fund to the Deputy Treasurer to incorporate into the School Corporation's records prior to submitting the required financial information to the Indiana Department of Education.

Indiana Code 20-41-2-4 states:

"A governing body in operating a school lunch program under IC 20-26-5-4(a)(11) may use either of the following accounting methods:

- (1) It may supervise and control the program through the school corporation account, establishing a school lunch fund.
- (2) It may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1."

Indiana Code 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform compliance Guidelines Manual for Extracurricular Accounts, Chapter 6)

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)



ANDERSON COMMUNITY SCHOOL CORPORATION

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State Board of Accounts
302 West Washington Street
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Indianapolis, Indiana 46204-2765

March 22, 2019

OFFICIAL RESPONSE

Board of Accounts;

This letter is in response to the "Audit Results and Comments" discussion draft discussed in the exit conference on March 12, 2019 of the Anderson Community School Corporation for the audit period ended June 30, 2018.

With regard to the comment entitled "FOOD SERVICE OFFICE-CONDITION OF RECORDS", the following is submitted:

FOOD SERVICE OFFICE - CONDITION OF RECORDS

The Food Service Office is located in the School Corporation's Administration Office. Each school deposits their breakfast and lunch collections into the Food Service bank account. The Food Service Office keeps the records for the School Lunch fund and related prepayment information. At the end of each semester, the Food Service provides their financial information to the Deputy Treasurer to incorporate into the School Corporation's records prior to submitting their required financial information to the Indiana Department of Education. The School Corporation considers the Food Service Office to be an extracurricular account although it includes more than the one individual school.

Indiana Code 20-41-2-4 states:

"A governing body in operating a school lunch program under IC 20-26-5-4(a)(11) may use either of the following accounting methods:

- (1) It may supervise and control the program through the school corporation account, establishing a school lunch fund.
- (2) It may cause the program to be operated by the individual schools of the school corporation through the school corporation's extracurricular account or accounts in accordance with IC 20-41-1.

Originally, the Anderson Community School Corporation ("ACSC") was informed that the School District was prohibited from having one extracurricular account for food service and that individual extracurricular accounts were required for each school building.

Apparently Indiana Code 30-41-2-4 is being cited as authority for that audit position. The ACSC objects to that audit exception and responds that statutory provision of Indiana Code 30-41-2-4 does not prohibit one combined extracurricular account for food service.

Indeed upon review by legal counsel, Indiana Code 20-41-2-4 specified authorizes that "a governing body" may (is legally authorized) "in operating a school lunch program...""...through the school corporation extracurricular account or accounts".

There is clear statutory authority that the ACSC governing body may operate under state law a school lunch program under either (1) one extracurricular account or (2) multi-accounts.

On March 21st ACSC was informed that this audit exception was based upon the statutory authority of Indiana Code 20-26-4-1, which provides in part:

The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguard in any accounting for the funds...

The provision is a quotation from what has generally been known as the Indiana School General Powers Act. Reliance upon this statutory provision, is inappropriate.

First, if the ISBOA position is correct, all funds would have to be deposited in the school corporation's account, not some of them. This ISBOA position, if accurate, produces an extreme result in that any funds would be prohibited from being deposited in an extracurricular account with a mandate under IC 30-41-2-4 that all such funds must be deposited in a corporation account under the treasurer's control.

Second, a long established maxim of statutory contradiction is that the powers granted in a specific statutory provision controls over the providing of a general power.

Therefore, the authorization granted by Indiana Code 20-41-2-4, which authorizes ACSC to establish one extracurricular account or multi- extracurricular accounts for its food service program controls over the provision of the General Powers Act in Indiana Code 20-26-4-1 et. seq.

Furthermore, reliance upon the "Accounting and Uniformed Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6" is totally misplaced for authority that there is a prohibition for depositing certain funds in the extracurricular accounts. The ISBOA online version of Chapter 6 of this compliance manual does not set forth any such requirements or prohibitions

First, the ACSC separately requests that the ISBOA reconsider its interpretation. Second, that a further explanation be provided on the explanation of this audit exception. Third, the ACSC offers that its Chief Financial Officer along with legal counsel discuss telephonically or otherwise with ISBOA authorities and its legal representative, the ISBOA concerns and options available to the ACSC to remedy the ISBOA concerns.

Thank you for the opportunity to respond to this audit report.

Sincerely,



Dr. Tim Smith, Superintendent



Kevin J. Brown, Chief Financial Officer

ANDERSON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 12, 2019, with Kevin Brown, Treasurer; Dr. Timothy Smith, Superintendent of Schools; Lennon Brown, Assistant Superintendent of Schools; Jan Koeniger, Assistant Superintendent of Schools; Dr. Joseph Cronk, Chief Operations Officer; Janet Windlan, Deputy Treasurer; Pamela Storm, Federal Grants Coordinator; Charles Ruthbright, General Counsel; Holly Renz, School Board member; Robert Bookhart, School Board member; Jean Chaille, School Board member; and Dr. Patrick Hill, President of the School Board.