

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FRANKLIN COMMUNITY SCHOOL CORPORATION

JOHNSON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/17/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jeffery R. Mercer	07-01-16 to 06-30-19
Superintendent of Schools	Dr. David Clendening	07-01-16 to 06-30-19
President of the School Board	Bryan D. Wertz Kristi Ott Danny Vaught Bryan D. Wertz	07-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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

This report is supplemental to our audit report of the Franklin 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 Finding that pertains 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

April 24, 2019

FRANKLIN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDING

FINDING 2018-001

Subject: School Breakfast Program, National School Lunch Program - Internal Controls
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2017, FY2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

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 Reporting and Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties over reporting. The Verification Summary Reports were prepared and submitted by one individual without any review, approval, or oversight to ensure their accuracy.

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

The School Corporation had not designed and implemented adequate policies and procedures to ensure that there was a proper segregation of duties over Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. The School Corporation relied on one employee to perform the key functions related to verification, without evidence of a review, approval, or oversight procedure to ensure its accuracy.

Context

The lack of controls was a systemic issue, occurring throughout the audit period.

Criteria

2 CFR 200.303 states in part:

FRANKLIN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDING
(Continued)

"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 grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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. David Clendening
Superintendent

Mrs. Deb Brown-Nally
Executive Director of Curriculum & Instruction

Mr. Jeff Mercer
Executive Director of Finance

Mr. Matt Sprout
Director of Technology

Mr. Jeff Sewell
Director of Operations

CORRECTIVE ACTION PLAN

Finding 2018-001

Contact Person Responsible for Corrective Action:
Contact Phone Number:

Jeff Mercer
(317) 346-8700

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

The Food Service department has implemented the following internal controls related to the Verification process:

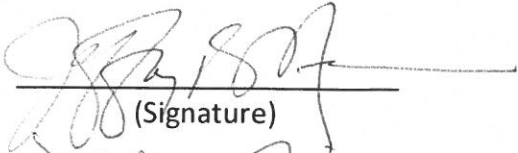
After the Director runs the list of applications to be verified, an Office Assistant will pull the applications and confirm that they were processed accurately. This individual will complete the confirmation and sign off on each application.

The Director will run Direct Verification on the State site, an Office Assistant will confirm these results and initial.

After notices are sent to families and documentation is received, the Director will enter this information. An Office Assistant will confirm that the information entered is correct and post a note in the Meal Magic program that the income entered was correct and confirmed.

Lastly, after all applications are verified and the summary report is entered by the Director in the State CNP site, an Office Assistant will verify that the numbers are entered correctly prior to the submission of the report. After submission the report will be printed and initialed by an Office Assistant.

Details of this process can be found in the Food Service Internal controls Verification procedures.



(Signature)

Director of Finance

(Title)

4/22/2019

(Date)

FRANKLIN COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 24, 2019, with Dr. David Clendening, Superintendent of Schools; Jeffrey R. Mercer, Treasurer; Tina Jobe Gross, Executive Director of Finance; Bryan D. Wertz, President of the School Board; and Becky Nelson, School Board member.