

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

JAY COUNTY SCHOOL CORPORATION

JAY COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/23/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------------------|----------------------|
| Business Manager/Treasurer | Bradley T. DeRome | 07-01-16 to 08-08-16 |
| | Violet Current (interim) | 08-09-16 to 10-30-16 |
| | Bradley T. DeRome | 10-31-16 to 01-08-19 |
| | Violet Current (interim) | 01-09-19 to 03-03-19 |
| | Tarina Morris | 03-04-19 to 06-30-19 |
| Superintendent of Schools | Dr. Timothy D. Long | 07-01-16 to 08-08-16 |
| | Bradley T. DeRome (interim) | 08-09-16 to 10-30-16 |
| | Jeremy Gulley | 10-31-16 to 06-30-19 |
| President of the School Board | Kristi Betts | 01-01-16 to 12-31-17 |
| | Phil Ford | 01-01-18 to 12-31-19 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE JAY COUNTY SCHOOL CORPORATION, JAY COUNTY, INDIANA

This report is supplemental to our audit report of the Jay County 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 Finding, identified in the above referenced audit report, is 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 Finding 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

May 1, 2019

JAY COUNTY SCHOOL CORPORATION
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): 14215-031-PN01, 14216-029-PN01,
14217-029-PN01, 18611-029-PN01,
45716-029-PN01, 45717-029-PN01,
18619-029-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 maintenance of effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The Deputy Treasurer prepares the financial data for the maintenance of effort (MOE) calculation, the Special Education Director enters the data into the MOE calculator portion of the grant application, and the Business Manager reviews the MOE calculation and financial data upon signing the assurance document as part of the grant application. However, the School Corporation's internal control system failed to prevent, or detect and correct, material misstatements on the MOE calculation.

The expenditure categories included in the MOE calculation were not consistent from year to year. From fiscal years 2015-2016 to 2016-2017, one category was omitted and 17 amounts entered were not derived from the records from which the audited financial statements were prepared, resulting in an understatement of expenditures by \$93,651. From fiscal years 2016-2017 to 2017-2018, two categories were omitted and 2 amounts entered were not derived from the records from which the audited financial statements were prepared, resulting in an understatement of expenditures by \$38,881. Although material misstatements and noncompliance were detected, if the MOE calculation would have been calculated correctly, the School Corporation would have maintained the requisite fiscal level of effort.

Context

The lack of effective 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). . . ."

JAY COUNTY SCHOOL CORPORATION
FEDERAL FINDING
(Continued)

34 CFR 300.203(b) states:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act 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.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

Cause

The School Corporation had not developed an effective system of internal controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and 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 an effective system of internal controls related to the grant agreement and 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.

The Jay School Corporation

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CORRECTIVE ACTION PLAN

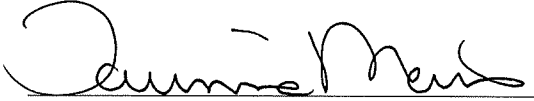
FINDING 2018-001

Contact Person Responsible for Corrective Action: Tarinna Morris, Business Manager
Contact Phone Number: 260-726-9341

View of Responsible Official: We concur with the findings. An internal control system was in place but was not as effective as it needed to be to verify the MOE calculation for the Special Education Grant.

Description of Corrective Action Plan: The Deputy Treasurer will prepare the financial data for the maintenance of effort (MOE). Once prepared, the Deputy Treasurer will give the MOE and all supporting documentation to the Business Manager. When verifying the MOE calculation for the Special Education Grant, the Business Manager will verify all supporting documentation matches the report. The Business Manager will also make sure account numbers that are the same with the exception of the location are added together. The Business Manager will also pull the previous Special Education MOE and verify all account numbers used are being used on the current MOE. This will ensure the expenditure categories included in the MOE calculation are consistent from year to year.

This corrective action plan will begin with the MOE completed after April 17, 2019 and continue thereafter.



(Signature)
Business Manager

(Title)
4-17-19

(Date)

JAY

LTC (Ret.) Jeremy Gulley, Superintendent
Trent Paxson, Ed.S, Assistant Superintendent for Instruction

Tarinna Morris, Business Manager/Treasurer
Ann Van Horn, Special Education Director

JAY COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2017 and 2018, that were unrelated to reimbursable grant funds.

| Fund | Amount Overdrawn | |
|----------------------------|------------------|---------------|
| | June 30, 2017 | June 30, 2018 |
| Prepaid Food/Trust Account | \$ 30,311 | \$ 36,042 |
| School Lunch | 21,553 | - |
| 17-18 Common School Loan | - | 82,783 |

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

COLLECTION OF AMOUNTS DUE

The Prepaid Food/Trust Account fund, which represents student prepaid school lunch and breakfast balances, had negative cash balances at June 30, 2017 and 2018, in the amount of (\$30,311) and (\$36,042), respectively. Some students had accumulated unpaid balances in excess of \$280, which is the equivalent of 100 unpaid lunches. The School Board passed *The High School, Elementary and Middle School Cafeteria Procedures - Charging Meals, Section 1* which states, "Only full meals may be charged. The charging limit is five (5) meals. Ala carte items may not be charged, including additional food and milk." The Prepaid Food/Trust Account fund negative balance was (\$60,956) at the end of March 2019. If the School Board writes off the unpaid balances, they must be approved by the School Board as uncollectible.

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The Jay School Corporation

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Date: May 7, 2019
To: State Board of Accounts
From: Tarinna Morris, Business Manager
Subject: Jay School Corporation Audit (July 1, 2016 to June 30, 2018)
RE: Official Audit Response

1) Collection of Amounts Due in Prepaid Food/Trust Account

Jay School Corporation acknowledges the balance in the prepaid food/trust account which represents student prepaid school meal funds and student charges has a negative cash balance.

Jay School Corporation will evaluate the current policy, procedures and practices in regard to prepaid meals and account charges. We will also create a double check between the school lunch software and the information sent to Central Office. This will verify the meal revenue and expenses are accurate and funds are applied appropriately in fund 800 (school lunch account) and fund 8400 (prepaid food/trust account).

Jay School Corporation is looking into collection companies that charge less fees or no fees compared to the current collection company. This will make the balances collected higher. We are also investigating a program called TRECS (Tax Refund Exchange and Compliance System). This is a program available to local government agencies which allows them to collect outstanding debts through setoff against pending state and personal income tax refunds.

2) Collection of Amounts Due in 17-18 Common School Loan

We acknowledge the balance in the 17-18 Common School Loan fund had a negative balance on June 30, 2018. The 17-18 Common School Loan was set up to be reimbursable. The first reimbursement was received on 6/8/18 and the second reimbursement was received on 8/14/18.

JAY

LTC (Ret.) Jeremy Gulley, Superintendent
Trent Paxson, Ed.S, Assistant Superintendent for Instruction

Tarinna Morris, Business Manager/Treasurer
Ann Van Horn, Special Education Director

JAY COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 1, 2019, with Jeremy Gulley, Superintendent of Schools; Tarinna Morris, Business Manager/Treasurer; Violet Current, Deputy Treasurer; Trent Paxson, Title I Coordinator; Annie Van Horn, Director of Special Education; and Phil Ford, President of the School Board.