

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NEW ALBANY-FLOYD COUNTY CONSOLIDATED
SCHOOL CORPORATION
FLOYD COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
09/24/2015

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2014-001 - Preparation of the Schedule of Expenditures of Federal Awards	4
Finding 2014-002 - Cash Management.....	4-5
Finding 2014-003 - Suspension and Debarment.....	5-6
Finding 2014-004 - Internal Controls Over Title I Grants to Local Educational Agencies.....	6-7
Finding 2014-005 - Internal Controls Over Career and Technical Education - Basic Grants to States	7-9
Corrective Action Plan.....	10-14
Audit Result and Comment:	
Prepaid School Lunch Account	15
Exit Conference.....	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Fred McWhorter II	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Bruce A. Hibbard	07-01-12 to 06-30-18
President of the School Board	Mark Boone D.J. Hines Rebecca Gardenour	01-01-12 to 12-31-12 01-01-13 to 12-31-14 01-01-15 to 12-31-15



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TO: THE OFFICIALS OF THE NEW ALBANY-FLOYD COUNTY CONSOLIDATED
SCHOOL CORPORATION, FLOYD COUNTY, INDIANA

This report is supplemental to our audit report of the New Albany-Floyd County Consolidated School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. 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 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 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 Findings, incorporated within this report, was not verified for accuracy.

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

August 4, 2015

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 Treasurer prepares the SEFA without an oversight, review, or approval process or other compensating control to verify the accuracy of the information and amounts. Audit adjustments for immaterial errors were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

The School Corporation should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FINDING 2014-002 - CASH MANAGEMENT

Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Number and Year (or Other Identifying Number): 2400
Pass-Through Entity: Indiana Department of Education

For the audit period July 1, 2012 to June 30, 2014, the cash balance of the School Lunch fund was greater than 3 months average expenditures for 6 of the 24 months within the audit period.

7 CFR section 210.14(a) states in part:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service . . ."

7 CFR section 210.14(b) states: *"Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR section 210.2 defines "net cash resources" as:

"Net cash resources means all monies, as determined in accordance with the State agency's established accounting system, that are available to or have accrued to a school food authority's nonprofit school food service at any given time, less cash payable. Such monies may include, but are not limited to, cash on hand, cash receivable, earnings on investments, cash on deposit and the value of stocks, bonds or other negotiable securities."

The School Corporation is not in compliance with federal compliance requirements related to cash management throughout the audit period. Failure to comply with these requirements could cause the School Corporation to be ineligible to receive future reimbursements.

We recommended that the School Corporation implement procedures to reduce the cash balance of the School Lunch fund to a level that is not greater than 3 months average expenditures.

FINDING 2014-003 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): 2400

Pass-Through Entity: Indiana Department of Education

The School Corporation does not have controls in place to verify that a vendor has not been suspended or debarred or to verify that the proper certifications have been filed by the vendor. During the audit period, a review of contracts with food service vendors showed that certification statements indicating the vendors were not suspended or debarred were included as part of the standard contract language.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements over Suspension and Debarment. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish and implement internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirement over Suspension and Debarment.

***FINDING 2014-004 - INTERNAL CONTROLS OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-2400, FY 2011-12, 13-2400, 14-2400

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management; Matching, Level of Effort, Earmarking; Period of Availability; Reporting; and Special Tests and Provisions.

Cash Management:

The Administrative Assistant to the Title I Director prepares and submits the monthly reimbursement request. No evidence was presented to indicate that a control was in place to ensure that all costs submitted for reimbursement had been incurred and paid prior to requesting reimbursement.

Matching, Level of Effort, Earmarking:

At least 1 percent of the total grant amount must be used for parental involvement. No evidence was presented to indicate that someone was monitoring and reviewing the appropriations and expenditures for parental involvement or another compensating control was in place to ensure that the earmarking requirement was met.

Period of Availability:

The Administrative Assistant to the Title I Director prepares and submits the monthly reimbursement request. No evidence was presented to indicate that a control was in place to ensure that all costs submitted for reimbursement were incurred during the period of availability.

Reporting:

The Administrative Assistant to the Title I Director prepares and submits the monthly reimbursement request and Annual Expenditure Report. No evidence was presented to indicate that a control was in place to ensure that the reimbursement requests and Annual Expenditure Report were accurate and complete.

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions:

The Title I Director prepares the Title I Comparability report. No evidence was presented to indicate that a control was in place to ensure that the comparability report was accurate and complete.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish and implement internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

**FINDING 2014-005 - INTERNAL CONTROLS OVER CAREER
AND TECHNICAL EDUCATION - BASIC GRANTS TO STATES**

Federal Agency: Department of Education

Federal Program: Career and Technical Education - Basic Grants to States

CFDA Number: 84.048

Federal Award Number and Year (or Other Identifying Number): 11-4700-2400, 12-4700-2400,
13-4700-2400

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management, Matching, Level of Effort, Earmarking; Period of Availability; and Reporting.

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management:

The Bookkeeper prepares and submits the monthly reimbursement requests. No evidence was presented to indicate that a control was in place to ensure that all cost submitted for reimbursement had been incurred and paid prior to requesting reimbursements.

Matching, Level of Effort, Earmarking:

No more than 5 percent of the total grant amount may be used for administrative costs. The Bookkeeper prepares and submits the monthly reimbursement requests. No evidence was presented to indicate that a control was in place to ensure the amounts requested for administrative costs did not exceed the approved budget amount allowed.

Period of Availability:

The Bookkeeper prepares and submits the monthly reimbursement requests. No evidence was presented to indicate that a control was in place to ensure that all cost submitted for reimbursement were incurred during the period of availability.

Reporting:

The Bookkeeper prepares and submits the monthly reimbursement requests. No evidence was presented to indicate that a control was in place to ensure the reimbursement requests were accurate and complete.

The Program Director prepares and submits a Fiscal Status Detail Report and Local Plan Final Report at the end of the grant year. No evidence was presented to indicate that a control was in place to ensure the reimbursement requests were accurate and complete.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

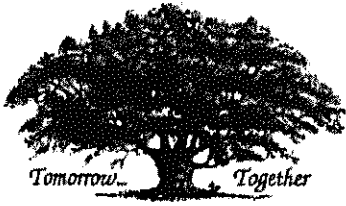
OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish and implement internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish and implement controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.



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CORRECTIVE ACTION PLAN

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Superintendent

Bradley J. Snyder
Deputy Superintendent

Bill Briscoe
Assistant to the
Superintendent

Fred McWhorter II, RSBO
Chief Business Officer

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Donna Corbett
Member

D.J. Hines
Member


LeeAnn Wiseheart
Member

FINDING 2014-001

Contact Person Responsible for Corrective Action: Corporation Treasurer
Contact Phone Number: 812-542-2129

Description of Corrective Action Plan: The Corporation Treasurer prepares the Schedule of Expenditures of Federal Awards (SEFA). In order to improve internal controls to prevent, or detect and correct potential errors on the SEFA and to ensure accurate reporting of federal awards the report will also be reviewed by the Deputy Treasurer.

Anticipated Completion Date: Effective Immediately



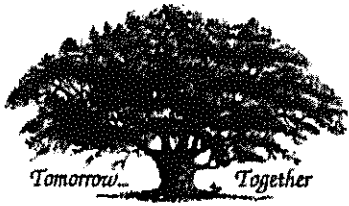
(Signature)

Chief Business Officer/Treasurer

(Title)

7/21/15

(Date)



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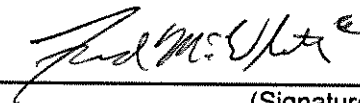
LeeAnn Wiseheart
Member

FINDING 2014-002

Contact Person Responsible for Corrective Action: Corporation Treasurer
Contact Phone Number: 812-542-2129

Description of Corrective Action Plan: The School Lunch Fund had an average cash balance greater than three months average for six of the twenty-four months within the audit period. The monthly cash balance will be monitored to ensure that the average monthly balances does not exceed the three month average. Expenditures will be targeted to ensure that the balance is below the required amount.

Anticipated Completion Date: Effective Immediately



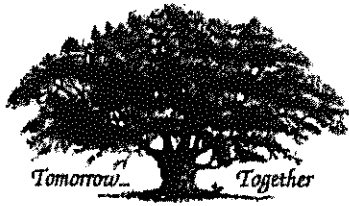
(Signature)

Chief Business Officer/Treasurer

(Title)

7/21/15

(Date)



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LeeAnn Wiseheart
Member

FINDING 2014-003


Contact Person Responsible for Corrective Action: Corporation Treasurer
Contact Phone Number: 812-542-2129

Description of Corrective Action Plan: The School Corporation requires a certification from the vendor in a covered transaction that the vendor has not been suspended or excluded from business with the federal government in accordance with 2 CFR 180.300. In order to improve internal controls these vendor names will also be cross checked against the SAM.gov listing to ensure they are not suspended or excluded from doing business with the federal government.

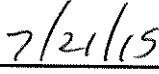
Anticipated Completion Date: Effective Immediately



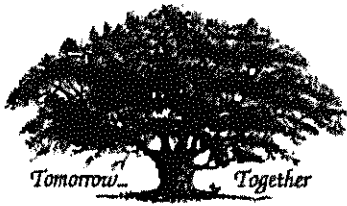
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(Date)



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Member


LeeAnn Wiseheart
Member

FINDING 2014-004

Contact Person Responsible for Corrective Action: Corporation Treasurer
Contact Phone Number: 812-542-2129

Description of Corrective Action Plan: The School Corporation submitted monthly reimbursement requests to the Indiana Department of Education Office of Title I in accordance with their forms which required one signature. In order to improve internal controls the monthly reimbursement requests will be reviewed and signed by two people knowledgeable with the request.

Anticipated Completion Date: Effective Immediately



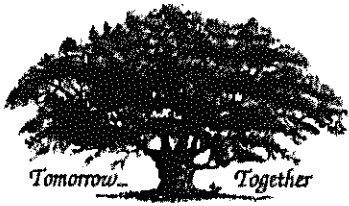
(Signature)

Chief Business Officer / Treasurer

(Title)

7/21/15

(Date)



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D.J. Hines
Member


LeeAnn Wiseheart
Member

FINDING 2014-005

Contact Person Responsible for Corrective Action: Corporation Treasurer
Contact Phone Number: 812-542-2129

Description of Corrective Action Plan: The School Corporation submitted monthly reimbursement requests to the Indiana Department of Education Office of Career and Technical Education in accordance with their forms which required one signature. In order to improve internal controls the monthly reimbursement requests will be reviewed and signed by two people knowledgeable with the request.

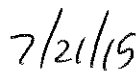
Anticipated Completion Date: Effective Immediately



(Signature)



(Title)



(Date)

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL LUNCH ACCOUNT

Receipts for daily sales and prepaid lunches are accounted for in the NAFC School Food Service Department Extra-Curricular Account. At the end of each month the receipts for sales and prepaid accounts are remitted by the Food Service Department to the School Corporation. The School Corporation posts the revenue of the sales and prepaid accounts to the School Lunch fund. A separate clearing account for the prepaid food account activity has not been established.

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). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. . . . (The School Administrator and Uniform Compliance Guidelines, Volume 183, page 3, September 2008)

NEW ALBANY-FLOYD COUNTY CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 4, 2015, with Dr. Bruce A. Hibbard, Superintendent of Schools; Dr. Bradley J. Snyder, Assistant Superintendent of Schools; Bill Briscoe, Assistant Superintendent of Schools; Fred McWhorter II, Treasurer; and Rebecca Gardenour, President of the School Board.