

Avondale School District

Single Audit Report

June 30, 2015

CONTENTS

	<u>Page</u>
Single Audit Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9
Summary Schedule of Prior Audit Findings	12
Corrective Action Plan	13

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With
Government Auditing Standards**

Independent Auditors' Report

Management and the Board of Education
Avondale School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avondale School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Avondale School District's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Avondale School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Avondale School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Avondale School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Avondale School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Saginaw, MI
November 2, 2015

Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Management and the Board of Education
Avondale School District

Report on Compliance for Each Major Federal Program

We have audited Avondale School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Avondale School District's major federal programs for the year ended June 30, 2015. Avondale School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Avondale School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Avondale School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Avondale School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Avondale School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

Avondale School District's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. Avondale School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Avondale School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Avondale School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Avondale School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, which we consider to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Avondale School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Avondale School District's basic financial statements. We issued our report thereon dated November 2, 2015, which contained unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Saginaw, Michigan
November 2, 2015

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Unearned) Revenue June 30, 2015
U.S. Department of Agriculture								
Passed through Michigan Department of Education								
Child Nutrition Cluster								
Non-cash assistance (commodities)								
National School Lunch Program								
Entitlement Commodities	10.555	\$ 66,262	\$ -	\$ -	\$ 66,262	\$ 66,262	\$ -	\$ -
Cash assistance								
141970 NSL Breakfast	10.553	87,823	4,488	78,014	9,809	14,297	-	-
151970 NSL Breakfast		79,924	-	-	79,924	79,924	-	-
141960 NSL Section 11 - Free and Reduced	10.555	447,860	16,235	391,328	56,532	72,767	-	-
151960 NSL Section 11 - Free and Reduced		416,299	-	-	416,299	416,299	-	-
140900 Summer Food Service Program Breakfast	10.559	27,503	1,632	1,632	22,739	27,503	3,132	-
141900 Summer Food Service Program Lunch		2,316	3,533	3,533	1,915	2,316	(3,132)	-
150900 Summer Food Service Program Breakfast		4,036	-	-	4,036	-	-	4,036
151900 Summer Food Service Program Lunch		340	-	-	340	-	-	340
Total U.S. Department of Agriculture - Nutrition Cluster			25,888	474,507	657,856	679,368	-	4,376
U.S. Department of Education								
Passed through Michigan Department of Education								
Title I								
141530 1314 Title I Part A	84.010	369,130	130,207	309,818	35,849	166,056	-	-
151530 1415 Title I Part A		313,151	-	-	247,323	207,747	-	39,576
Total Title I			130,207	309,818	283,172	373,803	-	39,576
Passed through Oakland County Intermediate School District								
Special Education Cluster								
130450 1213 IDEA Flowthrough	84.027A	674,467	61,867	674,467	-	61,867	-	-
140450 1314 IDEA Flowthrough		626,377	173,690	577,355	49,021	209,407	-	13,304
150450 1415 IDEA Flowthrough		659,520	-	-	605,047	484,978	-	120,069
Total IDEA Flowthrough			235,557	1,251,822	654,068	756,252	-	133,373

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Amount	Accrued (Unearned) Revenue July 1, 2014	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts	Adjustments	Accrued (Unearned) Revenue June 30, 2015
U.S. Department of Education								
Passed through Oakland County Intermediate School District								
Special Education Cluster (continued)								
140460 1314 Preschool Incentive	84.173A	24,440	\$ 5,100	\$ 24,440	\$ -	\$ 5,100	-	-
150460 1415 Preschool Incentive		19,439	-	-	19,439	16,820	-	2,619
Total Preschool Incentive			5,100	24,440	19,439	21,920	-	2,619
Total Special Education Cluster			240,657	1,276,262	673,507	778,172	-	135,992
Passed through Michigan Department of Education								
Title III Limited English								
140580 1314 Title III Limited English	84.365	\$ 34,489	8,756	27,091	4,916	13,672	-	-
150580 1415 Title III Limited English		39,019	-	-	23,015	14,956	-	8,059
Total Title III Limited English			8,756	27,091	27,931	28,628	-	8,059
Passed through Michigan Department of Education								
Title II Part A								
140520 1314 Title II Part A	84.367	79,680	42,457	67,039	-	42,457	-	-
150520 1415 Title II Part A		94,200	-	-	85,054	57,368	-	27,686
Total Title II Part A			42,457	67,039	85,054	99,825	-	27,686
Total U.S. Department of Education			422,077	1,680,210	1,069,664	1,280,428	-	211,313
U.S. Department of Health and Human Services								
Passed through Oakland County Intermediate School District								
Medical Assistance Program								
2014 Administrative Outreach Program	93.778	5,293	-	-	5,293	5,293	-	-
Total Federal Financial Awards			\$ 447,965	\$ 2,154,717	\$ 1,732,813	\$ 1,965,089	\$ -	\$ 215,689

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Avondale School District
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2015

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. Management has reported the expenditures in the Schedule of Expenditures of Federal Awards equal to those amounts reported in the annual or final cost reports that have been submitted as of June 30, 2015.
3. The federal amounts reported on the form Grant Auditor Report are in agreement with the schedule of Expenditures of Federal Awards with the exception of the following:

	<u>Title II</u> <u>140520</u>	<u>Title III</u> <u>140580</u>	<u>Title I</u> <u>141530</u>
Amount reported on Grant Auditors Report	\$ 26,880	\$ 6,313	\$ 92,282
Report but not received by the district until July 2014	<u>15,577</u>	<u>7,359</u>	<u>73,774</u>
Amount reported on the Schedule of Expenditures of Federal Awards	<u>\$ 42,457</u>	<u>\$ 13,672</u>	<u>\$ 166,056</u>

4. The amounts reported on the Recipient Entitlement Balance Report agree with the Schedule of Expenditures of Federal Awards for U.S.D.A. donated food commodities.
5. The following is a reconciliation between the federal revenues reported in the financial statements and the schedule of federal awards.

Federal revenues per the financial statements	\$ 2,414,070
Less federal reimbursed interest	<u>681,257</u>
Federal revenues per schedule of federal awards	<u><u>\$ 1,732,813</u></u>

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ yes X none

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified that are not considered to be material weaknesses? X yes _____ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes _____ no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.553, 10.555, 10.559 84.027A, 84.173A	Child Nutrition Cluster Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes X no

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2015

SECTION II – GOVERNMENT AUDITING STANDARDS FINDINGS

There were no findings related to the financial statements which are required to be reported in accordance with government auditing standards for the year ended June 30, 2015.

SECTION III – FEDERAL AWARD FINDINGS

Finding 2015-001 – Significant Deficiency and Noncompliance – Allowable Costs

Program Information:	Special Education Cluster, U.S. Department of Education, 2015, passed through Oakland County Intermediate School District, CFDA #84.027, 84.173
Criteria:	Per 2 CFR Part 225, Appendix B, Item 8h(4) - (7), personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee.
Condition:	During our testing for allowable costs related to payroll, we noted 15 instances out of 40, where the personnel activity report was signed and dated prior to end of the reporting period, or the activity report was not signed, or the activity report could not be located.
Questioned Costs:	Could not be determined.
Cause and Effect:	We noted that the personnel activity reports were completed and dated prior to the end of the reporting period. Thus, we were not able to determine if the time reported after the report was dated was properly reflected.
Recommendation:	We recommend that all personnel activity reports are properly completed after-the-fact or certifications are used or that an individual working in only one federal program or one "cost objective", complete a certification signed by employee and/or supervisor. These certifications must be prepared at least semi-annually, after the work has been performed.
Views of Responsible Officials:	Management agrees with the finding
Corrective Action Plan:	See attached corrective action plan from management.

Finding 2015-002 – Significant Deficiency and Noncompliance

Program Information:	Special Education Cluster, U.S. Department of Education, 2015, passed through Oakland County Intermediate School District, CFDA #84.027, 84.173 and Child Nutrition Cluster, U.S. Department of Agriculture, passed through Michigan Department of Education, CFDA #10.553, 10.555, 10.559
-----------------------------	--

Avondale School District
Schedule of Findings and Questioned Costs
June 30, 2015

Criteria:	As a precondition to receive federal funds, prospective recipients must have effective administrative and financial internal controls. As described in 34 CFR Part 80, 2 CFR Part 225 and OMB Circular A-133 Compliance Supplement Part 6, school districts must have written procedures.
Condition:	The School District does not have written procedures for their federal programs.
Questioned Costs:	None material.
Cause and Effect:	Due to time constraints and staff turnover, School District management has not developed written procedures, thus there are no controls in place to monitor each of compliance areas related to federal funding.
Recommendation:	<p>We recommend that the School District develop written procedure for the following:</p> <ul style="list-style-type: none">• Financial management systems• Payments• Allowable costs• Period of availability• Matching or cost sharing (if applicable)• Program income (if applicable)• Procurement• Equipment and real property (if applicable)• Supplies• Copyrights (if applicable)• Sub-awards to debarred and suspended parties• Monitoring and reporting program performance (if applicable)• Financial reporting• Retention and access requirements for records <p>In addition, districts should also have written procedures for:</p> <ul style="list-style-type: none">• Cash management• Conflict of interest• Payroll• Federal timekeeping
Views of Responsible Officials:	Management agrees with the finding
Corrective Action Plan:	See attached corrective action plan from management.

Avondale School District
Summary Schedule of Prior Audit Findings
June 30, 2015

SECTION IV – PRIOR AUDIT FINDINGS

There were no audit findings for the year ended June 30, 2014.

November 2, 2015

Yeo & Yeo
3023 Davenport Ave
Saginaw MI 48602

RE: Schedule of Findings and Questioned Costs

Finding:

During the audit of the 2015-15 Financial Statements, you noted that the personnel activity reports (PAR's) were completed and dated prior to the end of the reporting period.

Management's Corrective Action Plan:

I have reviewed this finding with Ms. Karen Olex, Deputy Superintendent who oversees the Special Education grant cluster (the program in which the finding was determined). Ms. Olex will review the proper procedures with all individuals completing a personnel activity report to ensure that all personnel are aware of the need to complete these reports only after the completion of the reporting cycle. Additionally, the payroll specialist has been advised to only accept the PAR's after the related reporting cycle has ended.

Finding:

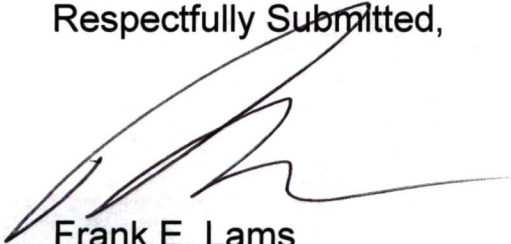
Complete written procedures relating to the administration of federal programs have not been completed.

Management's Corrective Action Plan:

During the 2015-16 fiscal year, the Assistant Superintendent for Administrative Services along with the Accounting Supervisor will begin to draft comprehensive procedures relating to the administration of all federal program grants.

The District Administration believes that, with our new software system, substantially all financial procedures will need to be revised to more accurately reflect current operations. The writing of federal program procedures will be completed in conjunction with the re-write of District policies and financial administrative guidelines during 2015-16.

Respectfully Submitted,



Frank E. Lams
Assistant Superintendent
Administrative Services