

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WEST NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
01/21/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barbara Fought	07-01-12 to 12-31-15
Superintendent of Schools	Dr. Dennis VanDuyne	07-01-12 to 06-30-15
President of School Board	Mary Wysong Jeana Leamon	07-01-12 to 12-31-13 01-01-14 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE WEST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the West Noble 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/](http://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 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 Findings 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

December 22, 2015

WEST NOBLE 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 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: two grants were not included and for several grants the amounts reported were not correct. In total, the SEFA was overreported in FY 2013 by \$697,480 and in FY 2014 by \$166,558. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. Control activities should be selected and developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation has not separated incompatible activities related to receipts and cash. There is no segregation of duties, including no oversight, review, or approval process. We believe these deficiencies constitute material weaknesses:

1. The School Corporation Treasurer, except for school lunch monies, receives all cash, prepares the deposit slips, and takes the deposit to the bank. The School Corporation Treasurer also posts all cash transactions to the ledger and reconciles the bank accounts for all funds received at the School Corporation.
2. The School Lunch Clerk picks up and verifies each School's cafeteria collections to the food service program prior to the bank deposit. There was no documentation presented for audit of the School Lunch Clerk's verification.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement 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 financial transactions and reporting. 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.

The failure to establish these controls could enable misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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)

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-003 - INTERNAL CONTROLS OVER SCHOOL CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: 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 Years: FY 12-13, FY 13-14  
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 Cash Management and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. 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 programs.

*Cash Management*

Federal regulations require schools to maintain a food service balance less than or equal to 3 months average operating expenses. The School Corporation has a lack of internal control over their food service balance. The School Corporation did not establish a control to ensure that the food service balance is less than or equal to 3 months average operating expenses.

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

Federal regulations require that schools select and verify a sample of their approved free and reduced price meal applications on file as of October 1. The Food Service Clerk performed the verifications; however, there was not control in place to determine whether the verifications performed were correct.

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 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.



WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements noted above that have a direct and material effect on the programs.

***FINDING 2014-004 - ALLOWABLE ACTIVITIES AND ALLOWABLE COSTS***

Federal Agency: U.S. Department of Agriculture

Federal Programs: 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 Years: FY 12-13, FY 13-14

Pass-Through Entity: Indiana Department of Education

The School Corporation maintains timesheets for all food service personnel and substitutes. The School Lunch Clerk is also the School Corporation's Maintenance Secretary; however, the School Lunch Clerk's timesheets do not detail the time specifically worked for food service and maintenance. As a result, the School Lunch Clerk's payroll expenditures could not be verified for Allowable Activities and Allowable Costs.

OMB Circular A-87, Attachment B, section 8(h) states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

- (1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.
- (2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.
- (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.
- (4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:
  - (a) More than one Federal award,
  - (b) A Federal award and a non Federal award,

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost 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."

Noncompliance with 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 has the School Lunch Clerk prepare timesheets that reflect time worked for school lunch and maintenance.

***FINDING 2014-005 - ELIGIBILITY***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: 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 Years: FY 12-13, FY 13-14  
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 Eligibility compliance requirements. 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 programs.

A parent must file an application for their child to qualify for free or reduced price meals unless the child qualifies through direct certification. For applications filed, the Food Service Secretary, Clerk, and Cafeteria Managers individually determine whether a child qualifies for free or reduced priced meals. There was no control in place to ensure whether eligibility determination was correct.

The School Corporation did not have a system in place during the audit period which consistently yields correct claims for lunches served only to children eligible for free, reduced price, and paid lunches. For school years 2012-2013 and 2013-2014, the School Corporation had a total of 1,187 free and reduce price applications on file. A haphazard sample of 60 applications were chosen to test whether the School Corporation properly determined free and reduce price eligibility. The School Corporation incorrectly determined eligibility on 2 free and reduce price applications.

The Indiana Department of Education also conducted a National School Lunch Program review over the School Corporation on February 3, 2014. Their findings over free and reduce price eligibility disclosed that one application was approved incorrectly.

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 210.18(b)(2)(i) states:

"Performance Standard 1—Certification/Counting/Claiming—All free, reduced price and paid lunches claimed for reimbursement are served only to children eligible for free, reduced price and paid lunches, respectively; and counted, recorded, consolidated and reported through a system which consistently yields correct claims."

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."

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 the Eligibility compliance requirements.

***FINDING 2014-006 - PROCUREMENT AND SUSPENSION AND DEBARMENT***

Federal Agency: U.S. Department of Agriculture

Federal Programs: 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 Years: FY 12-13, FY 13-14

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 Procurement and Suspension and Debarment compliance requirements. 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 programs.

The School Corporation solicited and awarded bids for milk during the audit period. Management did not establish controls or verify to ensure milk vendors were not suspended or debarred prior to the bid award.

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The Indiana Department of Education audited the National School Lunch Program at the School Corporation on February 3, 2014. The Indiana Department of Education found that the School Corporation has not been employing competitive buying practices where competitive sources are available for milk and bread. As a result of the School Corporation not employing competitive buying practices, the School Corporation is not in compliance with federal and state procurement standards and laws.

7 CFR 3016.36(b) states in part:

*"Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Indiana Code 5-22-7-1 states:

"A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

2 CFR 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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."

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 Procurement and Suspension and Debarment compliance requirements.

***FINDING 2014-007 - PROGRAM INCOME AND SPECIAL TESTS  
AND PROVISIONS - SCHOOL FOOD ACCOUNTS***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: 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 Years: FY 12-13, FY 13-14  
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 Program Income and Special Tests and Provisions - School Food Accounts compliance requirements. 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 programs.

The School Corporation receives program income from meal sales. The Food Service Secretary collects the program income from each school and deposits the program income to the bank. The School Corporation Treasurer posts program income into the school food account. Prior to depositing the program income to the bank, the Food Service Secretary compares the program income collected to the total program income reported on the School Corporation's food service program. This comparison allows the Food Service Secretary to verify that program income was collected in full prior to depositing the collections and the School Corporation Treasurer receipting program income. During the audit period, no documentation could be obtained of the Food Service Secretary's comparison.

In addition, the School Corporation did not maintain daily food service collection reports. As a result, the assessing, collecting, and recording of program income could not be verified.

The School Corporation also receives and posts student prepaid meal money into their School Lunch fund. There are no internal controls for reconciling the prepaid meal control account to the subsidiary student meal account records. The School Corporation did not retain subsidiary student meal account records generated from their food service accounting program during the audit period. As a result, the ending balance of the prepaid meal control account at June 30, 2014, in the amount of \$59,024.09 could not be verified.

7 CFR 3016.42 states in part:

"(a) *Applicability.* (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . ."

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

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 Program Income and Special Tests and Provisions - School Food Account compliance requirements.

***FINDING 2014-008 - REPORTING - CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: 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 Years: FY 12-13, FY 13-14  
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 Reporting compliance requirements. 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 programs.

The School Corporation must submit an Annual Financial Report, Subrecipient Special Reporting - Claim for Reimbursement, and Subrecipient Special Reporting - Verification Summary Report as required by the Indiana Department of Education. The individual preparing the reports submits the reports without a control in place to determine whether the reports were accurate. Reporting errors were identified on all three reports.

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

1. Annual Financial Report Errors

a. The School Corporation Treasurer prepares the Annual Financial Report from data derived from the School Corporation's school lunch accounting program and the Indiana Department of Education's Fiscal Financial Report. The Annual Financial Report filed for fiscal years 2013 and 2014 could only be reconciled back to total income and expenses. There was no supporting documentation on how specific income and expenses items were derived.

b. The Annual Financial Report filed for fiscal years 2013 and 2014 contained student prepaid activity which does not relate to the programs.

2. Subrecipient Special Reporting - Claim for Reimbursement

a. The School Corporation submits a claim for reimbursement for free, reduced, and paid meals served to the Indiana Department of Education. The School Corporation did not maintain the counts for free, reduced, and paid meals served from their food service accounting program for the high school, middle school, and primary school.

b. The Indiana Department of Education audited the Summer Food Service Program on July 26, 2013. The Indiana Department of Education found that the School Corporation claimed ineligible adult meals served on their June 2013 claim for reimbursement. The Indiana Department of Education also found that the total meals served as reported on their June 2013 claim for reimbursement did not match the School Corporation's detail of daily summer meal counts.

c. The Indiana Department of Education audited the National School Lunch Program on February 3, 2014. The Indiana Department of Education found that the elementary school's counts for free, reduced, and paid meals served were incorrectly reported on their claims for reimbursement.

3. Subrecipient Special Reporting - Verification Summary Report

a. The School Corporation did not have supporting documentation to prove the final reported amount of all directly certified students on the Verification Summary Report filed for fiscal year 2013.

b. The School Corporation did not have supporting documentation to prove the reported amounts for sections 1, 3, and 4 of the Verification Summary Report filed for fiscal year 2014. These sections require information regarding the number of schools and students of the School Corporation, number of students directly certified and number of students and applications approved for free or reduced price meals.

7 CFR 3016.20(b)(1) states:

*"Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 3016.42 states in part:

"(a) *Applicability.* (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years from the starting date specified in paragraph (c) of this section. . . ."

7 CFR 225.1 states:

"This part establishes the regulations under which the Secretary will administer a Summer Food Service Program. Section 13 of the Act authorizes the Secretary to assist States through grants-in-aid to conduct nonprofit food service programs for children during the summer months and at other approved times. The primary purpose of the Program is to provide food service to children from needy areas during periods when area schools are closed for vacation."

7 CFR 225.2 states in part:

"*Children* means (a) persons 18 years of age and under, and (b) persons over 18 years of age who are determined by a State educational agency or a local public educational agency of a State to be mentally or physically handicapped and who participate in a public or nonprofit private school program established for the mentally or physically handicapped."

7 CFR 210.8(a)(2) states:

"*School food authority claims review process.* Prior to the submission of a monthly Claim for Reimbursement, each school food authority shall review the lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid lunches served on any day of operation to children currently eligible for such lunches."

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

- (4) Currently approved and denied applications for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title . . ."

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.



WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

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, to ensure compliance with the grant agreement and Reporting compliance requirements.

***FINDING 2014-009 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: 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 Years: FY 12-13, FY 13-14  
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 Special Tests and Provisions - Paid Lunch Equity compliance requirements. 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 programs.

Federal regulations require that schools annually review their paid lunch revenue to assure compliance with the Paid Lunch Equity requirement. Schools must calculate their weighted average price to determine if it has sufficient funding for paid meals served. The School Corporation Treasurer calculates the weighted average price for the School Corporation; however, there is no control to ensure that the calculation was correct.

The School Corporation retained their school lunch equity calculation for the school year 2012-2013. The School Corporation used the weighted average price calculator from the Indiana Department of Education website to perform school year 2012-2013 calculations. The weighted average price is based on total monthly revenue from anticipated paid lunch prices divided by the number of paid lunches served in October 2011. If the weighted average price is less than the difference between the free and paid federal reimbursement rates, the School Corporation must either increase their weighted average price or provide funds from non-federal sources. The calculations for school year 2012-2013 could not be verified because the School Corporation did not maintain the October 2011 meal counts. As a result, the compliance requirement for Paid Lunch Equity could not be verified.

The School Corporation calculated, but did not retain, the calculation for paid lunch equity for school year 2013-2014. As a result, the compliance requirement for Paid Lunch Equity could not be verified.

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) Calculation procedures. Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.  
. . ."

7 CFR 210.15(b)(6) states: "Records to document compliance with the requirements in §210.14(e)"

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."

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 controls, including segregation of duties, to ensure compliance with the grant agreement and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2014-010 - INTERNAL CONTROLS OVER CASH MANAGEMENT***

Federal Agency: U.S. Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers: 12-6065, 13-6065, 14-6065  
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 Cash Management compliance requirements. 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.

The School Corporation submits claims for reimbursement for Title I expenditures monthly to the Indiana Department of Education. There is no control in place to ensure that the Claims for Reimbursement are accurate.

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."

The failure to establish 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 controls, including segregation of duties, related to the grant agreement and Cash Management compliance requirements.

***FINDING 2014-011 - REPORTING - TITLE I, PART A CLUSTER***

Federal Agency: U.S. Department of Education  
Federal Program: Title I for Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers: 12-6065, 13-6065, 14-6065  
Pass-Through Entity: Indiana Department of Education

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 Reporting compliance requirements. 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.

The School Corporation submits Claims for Reimbursement and a Final Expenditure Report at the end of each grant to the Indiana Department of Education. There is no control in place to ensure that these reports are accurate.

The amounts spent out of the budget codes per the October 2012 reimbursement and the Final Expenditure Report for the grant year 2012-2013 did not agree to the amounts spent from the corresponding budget codes per the financial records of the School Corporation. The total dollar amount reimbursed is in agreement with the total dollars expended.

34 CFR 80.20(b) states in part:

"The financial management system of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlay or expenditures, and income. . . .
- (4) *Budget control.* Actual expenditures or capital outlay must be compared with budgeted amounts for each grant or subgrant. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

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.

WEST NOBLE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

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 controls, including segregation of duties, to ensure compliance with the grant agreement and Reporting compliance requirements.

# West Noble School Corporation

DR. DENNIS VANDUYNE, Superintendent  
CANDICE HOLBROOK, Curriculum Coordinator

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David Peterson, Member  
Travis Stohlman, Member

Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

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). For fiscal year 2013 the School Corporation used expenditure amounts for reporting of the SEFA, but not all of the amounts could be traced to the general ledger. For 2014 the School Corporation used reimbursed amounts for reporting of the SEFA, but not all of the amounts agreed with the general ledger. There was not a secondary review over the preparation of the SEFA.

Corrective Action Anticipated Completion Date: July 1, 2015

The Treasurer will only include the expenditures claimed for reimbursement on the SEFA and verify the amounts with the general ledger. The Deputy Treasurer will verify amounts entered on the SEFA with the general ledger and sign off on review paperwork.

*Barbara Fought, 4-29-15*

# West Noble School Corporation

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CANDICE HOLBROOK, Curriculum Coordinator

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Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

## FINDING 2014-002 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

- 1 The School Corporation Treasurer, except for school lunch, receives all cash, prepares the deposit slips, and takes the deposit to the bank. The School Corporation Treasurer also posts all cash transactions to the ledger and reconciles the bank accounts for all funds received at the School Corporation.
- 2 The School Lunch Clerk (2) picks up and verifies each school's cafeteria collections to the food service program prior to the bank deposit. There was no evidence presented for audit to prove that the School Lunch Clerk verified each school's cafeteria collections to the food service program prior to the bank deposit.

Corrective Action Anticipated Completion Date: May 1, 2015

- 1 Corporation bank deposits will be verified and signed by the Corporation Deputy Treasurer prior to depositing.
- 2 The appropriate report will be printed from the food service program, signed by Corporation Treasurer, and stapled to the deposit as evidence.

*Barbara Fought, 4-29-15*

# West Noble School Corporation

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CANDICE HOLBROOK, Curriculum Coordinator

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Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

## FINDING 2014-003 INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

- 1 Federal regulations require schools to maintain a food service balance less than or equal to 3 months average operating expenses. The School Corporation has a lack of internal control over their food service balance. No one, other than the Corporation Treasurer, reviews the food service balance regularly to ensure that the food service balance is less than or equal to 3 months average operating expenses.
- 2 Federal regulations require that schools select and verify a sample of their approved free and reduced price meal applications on file as of October 1. The food service clerk (1) performed the verifications without a secondary review from another individual to determine whether the verifications performed were correct.

Corrective Action Anticipated Completion Date: July 1, 2015

- 1 The School Corporation Treasurer will meet monthly with the Superintendent to review the School Lunch Fund balance.
- 2 School Lunch Clerk (2) will review verifications performed by School Lunch Clerk (1).

 4-29-15



# West Noble School Corporation

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CANDICE HOLBROOK, Curriculum Coordinator

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Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

## Finding 2014-004 ALLOWABLE ACTIVITIES AND ALLOWABLE COSTS

The School Corporation maintains timesheets for all food service personnel and substitutes. School Lunch Clerk (1) is also the School Corporation's maintenance secretary; however, the School Lunch Clerk's (1) timesheets do not detail the time specifically worked for food service and maintenance. As a result, the School Lunch Clerk's (1) payroll expenditures could not be verified for Allowable Activities and Allowable Costs.

Corrective Action Anticipated Completion Date: May 10, 2015  
School Lunch Clerk's (1) timesheet will be modified to allow for the segregation of time between food service and maintenance.

*Barbara Fought, 4-29-15*

# West Noble School Corporation

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CANDICE HOLBROOK, Curriculum Coordinator

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Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

## Finding 2014-005 ELIGIBILITY

The School Corporation does not have a system in place during the audit period which consistently yields correct claims for lunches served to only children eligible for free, reduced price, and paid lunches. For school years 2012-2013 and 2013-2014, the School Corporation had a total of 1,187 free and reduce price applications on file. A haphazard sample of 60 applications were chosen to test whether the School Corporation properly determined free and reduced price eligibility. The School Corporation incorrectly determined eligibility on 2 free and reduced price applications.

Corrective Action Anticipated Completion Date: July 1, 2015

School Lunch Clerk (2) will review, verify, and sign off on free and reduced price applications processed by School Lunch Clerk (1) to ensure the accuracy of eligibility.

*Barbara Fought, 4-29-15*

# West Noble School Corporation

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Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

## Finding 2014-006 PROCUREMENT AND SUSPENSION AND DEBARMENT

- 1 The School Corporation solicits and awards bids for milk during the audit period. Management did not establish controls to milk vendors were not suspended or debarred prior to the bid award.
- 2 The Indiana Department of Education found that the School Corporation has not been employing competitive buying practices where competitive sources are available for milk and bread.

## Corrective Action Anticipated Completion Date: July 1, 2015

- 1 Management will ensure and sign off that milk vendors are not suspended or debarred prior to the bid award.
- 2 The School Corporation has utilized the bid process for milk and other food purchases. The exception is bread since there is only one vendor in the area. Effective with the 2014/2015, the School Corporation will follow the bid process for bread.

*Barbara Fought, 4-29-15*

# West Noble School Corporation

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Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003



## Finding 2014-007 PROGRAM INCOME AND SPECIAL TESTS AND PROVISIONS - SCHOOL FOOD ACCOUNTS

- 1 No evidence could be obtained to prove that the Food Service Clerk (2) compared the program income collected to the total program income reported on the School Corporation's food service program.
- 2 The School Corporation did not maintain daily food service collection reports. As a result, the assessing, collecting and recording of program income could not be verified.
- 3 The School Corporation also receives and posts student prepaid money into their school lunch fund. There are no internal controls for reconciling the prepaid meal control account to the subsidiary student meal account records. The School Corporation did not maintain subsidiary student meal account records generated from their food service accounting program during the audit period. As a result, the ending balance of the prepaid meal control account at June 30, 2014 in the amount of \$59,024.09 could not be verified.


## Corrective Action Anticipated Completion Date: July 1, 2015

- 1 School Lunch Clerk (2) will print and compare the totals of the income collected to the Bank Recap and Reconciliation Report School Lunch Software.
- 2 School Lunch Clerk (2) will print and compare the totals from the audit reports from School Lunch Software to the lunch and breakfast number reported for reimbursement.
- 3 School Lunch Clerk (2) will reconcile the June 15th roster with the prepaid clearing account as maintained in the School Lunch Software. The reconciliation will be reviewed by someone other than the School Lunch Clerk (2) for accuracy.

# West Noble School Corporation

DR. DENNIS VANDUYNE, Superintendent  
CANDICE HOLBROOK, Curriculum Coordinator

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David Peterson, Member  
Travis Stohlman, Member

Contract Person: Barbara Fought   
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003.

## Finding 2014-008 REPORTING – CHILD NUTRITION CLUSTER

- 1(a) The annual financial report filed for 2013 and 2014 could only be reconciled back to total income and expenses. There was no supporting documentation on how specific income and expense items were derived.
- 1(b) The annual financial report filed for fiscal year 2013 and 2014 contained student prepaid activity, which does not relate to the grant.
- 2(a) The School Corporation did not maintain the counts for the free, reduced and paid meals served from their food service accounting program for the high school, middle school, and primary school.
- 2(b) The Indiana Department of Education also found that the total meals served as reported on their June 2013 claim for reimbursement did not match the School Corporation's detail of daily summer meal counts.
- 2(c) The Indiana Department of Education found that the elementary school's counts for free, reduced, and paid meals served were incorrectly reported on their claimed reimbursement.
- 3(a) The School Corporation did not have supporting documentation to prove the final reported amount of all directly certified students on the on the verification summary report filed for fiscal year 2013.
- 3(b) The School Corporation did not have supporting documentation to prove the reported amounts for sections 1, 3, and 4 of the verification summary filed for fiscal year 2014. Theses sections require information regarding the number of schools and students of the corporation, number of students directly certified, and number of students and applications approved for free or reduced price meals.

Corrective Actions Anticipated Completion Date: July 1, 2015

- 1(a) Work papers showing the calculations of the income and expense will be placed with the copy of the annual financial report.
- 1(b) The student prepaid account and any other non-related information will not be included in the annual financial report.
- 2(a) Meal counts for West Noble High School, West Noble Middle School, and West Noble Primary are being recorded and retained.
- 2(c) The meal reimbursement claim will be reviewed prior to filing for accuracy by the Treasurer.
- 3(a) Work papers or other supporting documentation used in reporting the direct certified students will be retained with copy of the verification summary.
- 3(b) Work papers or other supporting documentation used in reporting the direct certified students will be retained with copy of the verification summary.

A secondary review by someone other than the preparer will also be performed for the annual financial report, reimbursement claims, and verification summary report.

*Patricia Knight, 4-29-15*

# West Noble School Corporation

DR. DENNIS VANDUYNE, Superintendent  
CANDICE HOLBROOK, Curriculum Coordinator

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David Peterson, Member  
Travis Stohlman, Member

Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

Finding 2014-009 SPECIAL TESTS AND PROVISIONS – PAID LUNCH EQUITY

- 1 The School Corporation calculated, but did not retain, the calculation for paid lunch equity for school year 2013-2014. As a result, the compliance requirement for paid lunch equity could not be verified.
- 2 The calculations for school year 2012-2013 could not be verified because the School Corporation did not maintain the October 2011 meal counts. As a result, the compliance requirement for paid lunch equity could not be verified.

Corrective Action Anticipated Completion Date: July 1, 2015

The School Lunch Paid Equity tool provided by the Indiana Department of Education, School Lunch Division, will be printed and retained along with the supporting documentation. The calculation will be reviewed by someone other than the preparer for accuracy.

 4-29-15

# West Noble School Corporation

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CANDICE HOLBROOK, Curriculum Coordinator

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Travis Stohlman, Member

Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

Finding 2014-010 INTERNAL CONTROLS OVER CASH MANAGEMENT

West Noble School Corporation submits claims for reimbursement for Title I expenditures monthly to the Indiana Department of Education. The claims for reimbursement are not reviewed or approved by someone other than the preparer.

Corrective Action Anticipated Completion Date: July 1, 2015  
The Grant Administrator and Corporation Treasurer will review, approve and sign the claim for reimbursement.

*Barbara Fought, 4-29-15*



# West Noble School Corporation

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CANDICE HOLBROOK, Curriculum Coordinator

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Travis Stohlman, Member

Contract Person: Barbara Fought  
Title: Treasurer  
Phone Number: 260-894-3191, ext 5003

Finding 2014-011 REPORTING – TITLE I, PART A CLUSTER

West Noble School Corporation submits claims for reimbursement for Title I expenditures monthly to the Indiana Department of Education. The claims for reimbursement were not reviewed or approved by someone other than the preparer.

West Noble School Corporation submits a Final Expenditure Report at the end of each grant to the Indiana Department of Education. The Final Expenditure Reports for grant years 2011-2012 and 2012-2013 were not reviewed or approved by someone other than the preparer.

Corrective Action Anticipated Completion Date: July 1, 2015  
The Grant Administrator and Corporation Treasurer will review, approve and sign the claim for reimbursement and Final Expenditure Report.

*Barbara Fought, 4-29-15*

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following fund with overdrawn cash balances at June 30, 2013, and June 30, 2014:

Fund	Amount Overdrawn June 30, 2013	Amount Overdrawn June 30, 2014
Textbook Rental	\$ <u>144,656</u>	\$ <u>63,748</u>

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

**APPROPRIATION LINE ITEM POSTING**

During testing of disbursements, it was noted that the School Corporation disbursed the following promotional amounts from incorrect appropriation line items:

FY 13	\$ 1,652
FY 14	<u>1,167</u>
Total	<u>\$ 2,819</u>

The disbursements were for retirement gifts, local meals (for new teacher orientation, professional development meetings, and staff negotiations), and staff birthday cards. These disbursements were posted to appropriation line items for Staff Training Materials, Central Office Supplies, and Staff Relations and Negotiations within the General fund. Expenditures for these types of items should have been disbursed from the Promotion Expense line item in the General fund. Based on the School Corporation's average daily membership, they would have been allowed to spend a maximum of \$3,000 for each budget year on promotion of school expenses.

Some of these purchases, such as meals, could be considered personal expenses in future audits if they are not allowable Promotion Expense line item disbursements in the General fund.

Indiana Code 20-26-5-4(3) states in part:

"To appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars (\$3,000) per budget year or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (\$12,500), based upon the school corporation's previous year's ADM, to promote the best interests of the school corporation through: (A) the purchase of meals, decorations, memorabilia, or awards . . ."

WEST NOBLE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 13)

***SCHOOL FOOD SYSTEMS - PREPAID FOOD ACCOUNTS***

The School Corporation did not reconcile their prepaid lunch detail to the control. The system could not generate a prepaid lunch detail report for June 30, 2014, to test if the detailed student account balances reconciled to the control. As of June 30, 2014, the control balance was \$59,024.09.

Subsidiary records by student should be routinely reconciled to the cash balance and at month end. The School Food Prescribed Forms and any approved computerized Forms will be required to be maintained in the following manner to accurately account for prepaid items.

A column titled "Prepaid Food" is added to the Daily Record of Cash Received, Form SF-2, for recording prepaid amounts received which have not been identified as to revenue type, i.e., lunch, breakfast, etc. Amounts will be entered both in "Prepaid Food" and "Total Cash Received" for each day because cash has been received.

Another column "Prepaid Food Applied" is also added to Form SF-2, which will show periodic (and monthly) activity whenever prepaid meals are identified (charged to breakfast, lunch, etc.). Amounts in "Prepaid Food Applied" should at all times equal for each day, the amounts charged to various categories, i.e., student lunch, adult breakfast, etc. that were not paid for in cash. Amounts will not be added to "Total Cash Received" because cash has been previously entered and recognized in "Prepaid Food". You are merely transferring "Prepaid Food" to the applicable categories.

The final column added to SF-2 is "Prepaid Food Trust", which is the running balance column which shows the difference between "Prepaid Food" and "Prepaid Food Applied". The amounts in "Prepaid Food Trust" are deducted from the "Balance" column in SF-3 Form, School Food Service Cash Disbursements which then should equal the amount in the new SF-3 Column "Available Cash Balance". Amounts are not entered in "Total Cash Received" because "Prepaid Food Trust" is merely a balance column. Computerized systems should provide a list, by student, of cash balances which should sum to the "Prepaid Food Trust". (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 3)

***INTERNET POSTING OF CONTRACT PROVISIONS FOR CERTAIN EMPLOYEES***

As of the report date, the School Corporation had not posted the non-teaching certified employee contracts for the current school year on the School Corporation's internet website.

Indiana Code 20-26-5-4.7(b) states: "The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."

WEST NOBLE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 29, 2015, with Jeana Leamon, President of the School Board; Barbara Fought, Treasurer; and Dr. Dennis VanDuyne, Superintendent of Schools.

An additional exit conference was held on December 22, 2015, with Barbara Fought, Treasurer and Dr. Dennis VanDuyne, Superintendent of Schools.