

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
UNION TOWNSHIP SCHOOL CORPORATION  
PORTER COUNTY, INDIANA  
July 1, 2013 to June 30, 2015



**FILED**  
05/24/2016



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## SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>    | <u>Term</u>          |
|----------------------------------|--------------------|----------------------|
| Treasurer                        | Pamela Buksar      | 07-01-13 to 06-30-16 |
| Superintendent<br>of Schools     | John Hunter        | 07-01-13 to 06-30-16 |
| President of the<br>School Board | Michael Jessen     | 01-01-13 to 12-31-13 |
|                                  | Julie Giorgi       | 01-01-14 to 12-31-14 |
|                                  | Michael Simatovich | 01-01-15 to 12-31-15 |
|                                  | Julie Giorgi       | 01-01-16 to 12-31-16 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE UNION TOWNSHIP SCHOOL  
CORPORATION, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Union Township School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Result 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 Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

March 8, 2016

UNION TOWNSHIP SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2015-001 - 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 cash and investments and receipts. One person issued receipts, recorded receipts, prepared the deposit tickets, and reconciled the bank balances to the record balances. There was no segregation of duties, such as an oversight, review, or approval process.

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

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

***FINDING 2015-002 - 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 control in place that operates effectively, material misstatements of the SEFA could remain undetected. The Treasurer independently prepared the SEFA without oversight, review, or approval.

During the audit of the SEFA, we noted the following deficiencies:

1. Child Nutrition Cluster expenditures of \$434,226 were omitted.
2. Federal awarding agencies and program names were omitted.
3. CFDA numbers were omitted.

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)

UNION TOWNSHIP SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . . "

***FINDING 2005-003 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Allowable Costs-Indirect Costs, Eligibility, Suspension and Debarment, and Reporting 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 non-compliance 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.

*Allowable Costs - Indirect costs*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that indirect cost rates are properly calculated and recorded. One employee was solely responsible for preparing the indirect cost calculations and transferring indirect costs from the School Lunch fund to the General fund. There was no segregation of duties, such as an oversight, review, or approval process.

UNION TOWNSHIP SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Eligibility*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that determinations of eligibility for free and reduced price meals are accurate. Applications were not subjected to review prior to notification of eligibility. There is no segregation of duties, such as an oversight, review, or approval process.

*Suspension and Debarment*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that vendors selected for goods and services have not been suspended or debarred from participation in federal programs. The School Corporation relied on a consultant from a purchasing cooperative to verify compliance with suspension and debarment requirements. There was no oversight, review, or approval process over the consultant's responsibilities.

*Reporting*

The School Corporation has not designed or implemented adequate policies and procedures to ensure that all required reports were accurate. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight, review, or approval process.

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 type of 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 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's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

***FINDING 2015-004 - CASH MANAGEMENT***

Federal Agency: U.S Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education

UNION TOWNSHIP SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Cash Management. 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 has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to three months' average expenditures in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances.

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.

*Compliance*

The cash balance in the School Lunch fund exceeded three months' average expenditures for all twenty-four months of the audit period. For the 2013/2014 school year, the three month's average expenditures was \$155,785, the average monthly balance was \$410,830. For the 2014/2015 school year, the three month's average expenditures was \$147,821, the average monthly balance was \$314,017.

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."

7 CFR 210.9(b) states in part:

*"Agreement.* Each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary. Nothing in the preceding sentence shall be construed to limit the ability of the State agency to suspend or terminate the agreement in accordance with §210.25. If a single State agency administers any combination of the Child Nutrition Programs, that State agency shall provide each school food authority with a single agreement with respect to the operation of those programs. The agreement shall contain a statement to the effect that the 'School Food Authority and participating schools under its jurisdiction, shall comply with all provisions of 7 CFR parts 210 and 245.' This agreement shall provide that each school food authority shall, with respect to participating schools under its jurisdiction:

- (1) Maintain a nonprofit school food service and observe the requirements for and limitations on the use of nonprofit school food service revenues set forth in §210.14 and the limitations on any competitive school food service as set forth in §210.11;

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (2) Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved in accordance with §210.19(a); . . . "

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management requirements. In addition, we recommended that the School Corporation comply with the Cash Management requirements.

***FINDING 2015-005 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Equipment and Real Property Management. 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 has not designed or implemented adequate policies and procedures to ensure that equipment purchased with federal program funds was properly recorded in the capital asset records. An oversight, review, or monitoring process has not been established.

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.

*Compliance*

During the audit period, several pieces of equipment were purchased with School Lunch funds. Of the six items tested, three could not be found on the Capital Asset Inventory. In addition, the School Corporation's inventory records did not adequately identify equipment acquired with federal funds.

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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."

7 CFR 3016.32 states in part:

"(d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. "

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Equipment and Real Property Management. In addition, we recommended that the School Corporation comply with the Equipment and Real Property Management requirements.

***FINDING 2015-006 - PROCUREMENT***

Federal Agency: U.S. Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Procurement. 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 has not designed or implemented adequate policies and procedures to ensure compliance with the Procurement requirements of the programs. The School Corporation relied on a consultant from a purchasing cooperative to perform procurement activities. There was no oversight, review, or approval process over the consultant's responsibilities.

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.

*Compliance*

The consultant administered the bidding process and made a recommendation to the School Corporation for the winning bids; however, the School Corporation never formally approved or awarded the bids. The School Corporation also did not follow their policies and procedures for Procurement. The School Board did not approve the contracts with the vendors.

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."

7 CFR § 3016.36, states in part:

- (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.
- (2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Procurement compliance requirements. Additionally, we recommended that the School Corporation comply with the Procurement requirements of the programs.

***FINDING 2015-007 - PROGRAM INCOME***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, and 10.555  
Federal Award Years: FY 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirement for Program Income. 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 has not designed or implemented adequate policies and procedures to ensure that program income was properly recorded. An oversight, review, or approval process has not been established.

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.

*Compliance*

The School Corporation did not comply with requirements for accounting for program income generated from the operation of the food service program. All monthly receipts from sales, as well as prepayments, were recorded directly in the School Lunch fund; prepayments were not recorded in a Prepaid Food fund.

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."

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 210.14(c) states:

*"Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines Vol.183)

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Program Income. In addition, we recommended that the School Corporation comply with the Program Income requirements.

***FINDING 2015-008 SPECIAL TESTS AND PROVISIONS - VERIFICATIONS***

Federal Agency: U.S. Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Years: FY 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education

***Internal Controls***

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions for Verifications 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 has not designed or implemented adequate policies and procedures to ensure that the verifications of free and reduced price meal applications were accurately determined. An oversight, review, or approval process has not been established.

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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.

*Compliance*

Upon review of the verified school lunch applications one out of the three selected for verification in November of 2014, was verified incorrectly. During a review by the Indiana Department of Education in March of 2015, the School Corporation was made aware of the error on the verification and the household was removed from reduced lunches in April of 2015.

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."

7 CFR 245.6a(c) states in part: "Verification requirement - (1) General. The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . ."

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 . . .

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Special Tests and Provisions for Verifications. In addition, we recommended that the School Corporation comply with the Special Tests and Provisions for Verifications requirements.

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2015-009 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER***

Federal Agency: U.S. Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years: 14212-050-PN01, 14213-050-PN01,  
14214-050-PN01, 45215-050-PN01,  
FY 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Activities Allowed, Allowable Costs/Cost Principles, Level of Effort - Maintenance of Effort, and Period of Availability. 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.

*Activities Allowed and Allowable Costs/Cost Principles*

Over ninety-five percent (95%) of the grant expenditures were for payroll and related benefit costs for special education personnel. One employee was responsible for the preparation, recording, and payment of the bi-weekly payroll and related benefit costs. There was no evidence of an oversight or review process. Policies or procedures have also not been designed or implemented to ensure that required periodic certifications are prepared for all personnel paid solely from federal funds or that timesheets for hourly employees indicate the program or fund from which the employee will be paid.

*Level of Effort - Maintenance of Effort (MOE)*

The School Corporation has not designed or implemented policies and procedures to ensure that the MOE calculation was accurate. One individual calculated and reported the MOE. An oversight, review, or approval process has not been established.

*Period of Availability*

The School Corporation historically expends the available funds in advance of the end of the period of availability. However, evidence of a review process was not noted to ensure that grant funds are disbursed within the period of availability and that expenditures are not made from expired grant funds.

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 type of compliance requirement of a federal program will be prevented, 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.

UNION TOWNSHIP SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .300(b) states:

"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. Non-compliance 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's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements listed above.

# Union Township School Corporation

Mr. John Hunter, ED. S.  
Superintendent

Dr. Michael Stephens, PH. D.  
Assistant Superintendent

599 W 300 N, Suite A  
Valparaiso, IN 46385  
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www.union.k12.in.us  
*"Every Student, Every Day"*

## CORRECTIVE ACTION PLAN

### **FINDING 2015-001**

Contact Person Responsible for Corrective Action: Pamela S. Buksar  
Contact Phone Number: (219) 759-2531

Description of Corrective Action Plan:

#### Segregation of Duties

The Treasurer will complete the receipt and deposit ticket. The Treasurer will have one of the Administrative Assistants, the Assistant Superintendent or the Superintendent initial the deposit ticket to make sure that it matches the receipts and also initial the Receipt Control Document. One of the Administrative Assistants will take the deposit to the bank.

The Treasurer will complete the monthly reconciliation to the bank statement. The Superintendent or the Assistant Superintendent will check the bank statement against the ledger and sign for approval.

Anticipated Completion Date:

The receipt/deposit ticket started 2/19/16.

The bank reconciliation/ledger approval started with the January 2016 bank statement.

Pamela S. Buksar  
(Signature)

Treasurer  
(Title)

3/8/16  
(Date)

# Union Township School Corporation

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## CORRECTIVE ACTION PLAN

### **FINDING 2015-002**

Contact Person Responsible for Corrective Action: Pamela S. Buksar  
Contact Phone Number: (219) 759-2531

Description of Corrective Action Plan:

#### Schedule of Expenditures of Federal Awards

Procedures have been implemented to insure the accuracy of the Schedule of Expenditures of Federal Awards for the Annual Financial Report that is reported through Gateway. The Schedule of Expenditures of Federal Awards was corrected. Going forward, the Treasurer will prepare the Schedule of Expenditures of Federal Awards and the Superintendent or the Assistant Superintendent will review and sign off on the report before it is submitted through Gateway.

Anticipated Completion Date:  
Corrected January 2016

Pamela S. Buksar  
(Signature)

Treasurer  
(Title)

3/8/16  
(Date)

#### **Board of Trustees**

Julie Giorgi, President

Robert Gilliana Jr., Vice President

Shaine Trupkovich, Secretary

Stacey Buehler, Deputy Secretary

Michael Simatovich, Member

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## CORRECTIVE ACTION PLAN

### ***FINDING 2015-003***

Contact Person Responsible for Corrective Action: Pamela S. Buksar  
Contact Phone Number: (219) 759-2531

Description of Corrective Action Plan:

#### Internal Controls Over Child Nutrition Cluster

##### Allowable Costs – Indirect Costs

The Treasurer previously worked with both the Indiana Department of Education and The Indiana Department of Education – Division of School and Community Nutrition Services on applying for an Indirect Cost Rate to be used for the School Lunch Program.

The application and supporting documents were approved by the Indiana Department of Education and Union Township School Corporation was given an Indirect Cost Rate for both years that were audited. The Treasurer used this rate to calculate the transfer of indirect costs from the School Lunch Fund to The General Fund. Going forward, The Treasurer will have either the Superintendent or the Assistant Superintendent review and approve the process and to approve the amount that is being transferred..

##### Eligibility

The process for approving or denying Free and Reduced Applications has changed. The Principal of each school will determine if the application for Free or Reduced Meals is complete and correct. The Principal will sign the application to show if the application is approved for free or reduced lunch or if the application is denied. The Principal has designated one person in his/her office to review and initial and date that the information is correct. The school secretary will then send a copy of the application to the Cafeteria Manager and to The Administration Office.

##### Suspension and Debarment

As a member of the Northwest Indiana Education Service Center, Union Township School Corporation participates in the annual cooperative bid for bread and milk to be used in the school lunch program. The School Corporation will research the bidder through the SAM website (System for Award Management) before requesting approval from the Board of School Trustees.

##### Reporting

The reporting of School Lunch is done by the corporation treasurer. The treasurer collects the Monthly Claim for Reimbursement reports from each kitchen manager. These reports are generated through Meal

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#### **Board of Trustees**

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Robert Gilliana Jr., Vice President

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Stacey Buehler, Deputy Secretary

Michael Simatovich, Member

Time. The treasurer then takes the school lunch manager's report and inputs the information into the Indiana Department of Education - Division of School and Community Nutrition Services web site. Going forward, the treasurer will have each school lunch manager initial that the input of students receiving services is the same as they turned in at the end of each month. The Annual Report is completed by the corporation treasurer and will be reviewed and approved by either the Superintendent or the Assistant Superintendent.

**Anticipated Completion Date:**

The monthly report was corrected February 2016.

The Annual Report will be corrected after its completion in the summer or 2016.

*Pamela L. Buehler*  
(Signature)

*Treasurer*  
(Title)

*3/8/16*  
(Date)

# UNION TOWNSHIP SCHOOL CORPORATION

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SUPERINTENDENT

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DR. MICHAEL STEPHENS, Ph.D.  
ASSISTANT SUPERINTENDENT

## CORRECTIVE ACTION PLAN

### ***FINDING 2015-004***

Contact Person Responsible for Corrective Action: Pamela S. Buksar  
Contact Phone Number: (219) 759-2531

#### Description of Corrective Action Plan:

##### Cash Management

##### Internal Controls

The School Lunch Program's cash balance is more than the allotted three month average of expenditures. This being noted, the School Corporation has implemented the use of the Indirect Cost Rate to transfer funds from the School Lunch Fund to The General Fund. We have used the Indirect Cost Rate process for the past two years. This is helping reduce the School Lunch Fund's cash balance. It should be noted that the School Lunch employees were not given an increase in their wages from 2009 through 2014. The increase they received in 2015 was not given until September 2015. This factors in to the above average three month cash balance. Also, the high school kitchen is very active in regards to catering school events. This also increases the average cash balance. Also, let it be noted that the School Lunch Fund pays for all of the kitchen repairs and new equipment purchases. We have plans on the purchase of new kitchen equipment that will further reduce the cash balance.

Union Township School Corporation is going to request from Indiana Department of Education -- Division of School and Community Nutrition to not raise school lunch prices through the Paid Equity Program for the 2016-2017 school year. Union Township School Corporation is going to purchase a new serving line and ice machine for John Simatovich Elementary School in the summer of 2016. Union Township School Corporation is going to purchase a new dishwasher and washer and dryer for Wheeler High School in the summer of 2016. Starting with the 2016-2017 school year, the ala-carte items will be priced at the same amount or slightly higher of the cost to purchase.

The Superintendent, Treasurer and Kitchen Managers will collectively monitor the cash balance on a monthly basis. They will also work closely with the Indiana Department of Education - Division of School and Community Nutrition to monitor the Paid Equity Program.

##### Compliance

The School Corporation will be taking into consideration the needs of kitchen equipment and repairs that will help reduce the cash balance.

#### Board of Trustees

Michael Simatovich, President      Robert Gilliana Jr., Vice President      Julie Giorgi, Secretary  
Stacey Buehler, Member      Shaine Trupkovich, Member

Anticipated Completion Date:

Internal Controls for the Indirect Cost Rate will be put into place the next time the program is offered.

Pamela S. Butler

(Signature)

Treasurer

(Title)

3/8/2016

(Date)

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## CORRECTIVE ACTION PLAN

### **FINDING 2015-005**

Contact Person Responsible for Corrective Action: Pamela S. Buksar  
Contact Phone Number: (219) 759-2531

Description of Corrective Action Plan:

#### Equipment and Real Property Management

##### Internal Controls

The Internal Control practice that we use is as follows: The Purchasing Agent will give purchase information to the Administrative Assistant relative to the purchase of a capital asset as outlined in Policy 7455 for the purpose of adding these items to the Capital Asset inventory and tagging these purchases. Once tagged, the Purchasing Agent will review the list to ensure the Capital Asset inventory record is updated.

##### Compliance

The three assets that were not found in the Capital Asset Inventory Book were acquired before CBIZ Valuation conducted the inventory. Therefore, the School Corporation is in the process of recording the three pieces of equipment that were not recorded and give them asset tags.

Anticipated Completion Date:  
Completed March 2016

Pamela S. Buksar  
(Signature)

Treasurer  
(Title)

3/8/16  
(Date)

#### **Board of Trustees**

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## CORRECTIVE ACTION PLAN

### ***FINDING 2015-006***

Contact Person Responsible for Corrective Action: Pamela S. Buksar  
Contact Phone Number: (219) 759-2531

Description of Corrective Action Plan:

#### Procurement

#### Internal Controls

Union Township School Corporation is a member of the Northwest Indiana Education Service Center (NWIESC). As a member of NWIESC the school corporation annually participates in a cooperative bid for milk to be used in the School Lunch Program. Acceptance of the most responsive and responsible vendors from the NWIESC cooperative bid for milk shall be recommended by the Food Service Manager to the Superintendent for presentation to the Board of School Trustees for approval. Please note that this process was done for the 2015-2016 school year with School Board Approval on 8/12/15.

#### Compliance

The Board of School Trustees approved the 2015-2016 Milk Bid at the 8/12/15 school board meeting.

Anticipated Completion Date:  
Completed August 2015

Pamela S. Buksar  
(Signature)

Treasurer  
(Title)

3/8/16  
(Date)

#### **Board of Trustees**

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Shaine Trupkovich, Secretary

Stacey Buehler, Deputy Secretary

Michael Simatovich, Member

## UNION TOWNSHIP SCHOOL CORPORATION

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ASSISTANT SUPERINTENDENT

### CORRECTIVE ACTION PLAN

#### ***FINDING 2015-007***

Contact Person Responsible for Corrective Action: Pamela S. Buksar

Contact Phone Number: (219) 759-2531

Description of Corrective Action Plan:

#### Program Income

#### Internal Controls

Union Township School Corporation does not separate the pre-paid food collections from the daily receipts of the school lunch program.

In February 2016 Union Township School Corporation opened a Clearing Account for the pre-paid student account. At the end of each month the kitchen managers will send a listing to the Treasurer of student meal balances. The Treasurer will deposit the balances into the Clearing Account. At the end of the school year the balance will be reported on the Annual Financial Report. At the end of each month and at the end of the school year the Treasurer will review with each kitchen manager their balances. The Treasurer will also give the report to the Superintendent for review.

#### Compliance

A Pre-Paid Food clearing account has been established in the Union Township School Corporation financial accounting system. All pre-paid income will be deposited into this account as it is received. At the end of each month income will be reconciled, transferred and recorded to the appropriate income classifications in the School Lunch fund 8400 in the corporation financial system. Such income recognition by the corporation shall be evidenced by the appropriate School Lunch Record of Daily Cash Received reports and any other supporting documentation that is prepared by the School Lunch Managers. The balance of pre-paid food funds that remain in the clearing account at the end of each month shall equal the roster of student account balances as maintained in the School Lunch kitchen student account systems records. A end of the month summary roster shall be provided to the corporation office to include with the corporation monthly financial accounting reconciliation documentation. All documentation required to support the School Food Service Department financial accounting and reporting shall be maintained as required by the Food Service Department in accordance with all state, federal and corporation retention requirements.

#### Anticipated Completion Date:

A Pre-Paid School Lunch Clearing Account was created in February 2016.

At the end of February 2016 the Clearing Account should have the balance of Pre-Paid funds and documentation to prove the balance.

#### **Board of Trustees**

Michael Simatovich, President

Robert Gilliana Jr., Vice President

Julie Giorgi, Secretary

Stacey Buehler, Member

Shaine Trupkovich, Member

Pamela S. Perkins  
(Signature)

Treasurer  
(Title)

3/8/16  
(Date)

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### CORRECTIVE ACTION PLAN

#### **FINDING 2015-008**

Contact Person Responsible for Corrective Action: Pamela S. Buksar  
Contact Phone Number: (219) 759-2531

Description of Corrective Action Plan:

#### Special Tests and Provisions - Verifications

##### Internal Controls

The Administrative Assistant in the Administration Office follows the State Mandated guidelines to complete the Review and Verification process for the School Lunch Program.

Once the report is completed the Administrative Assistant will review the report with the Treasurer. The Treasurer will initial for approval. After the report is entered in the School Lunch Program web-site the Treasurer will review and initial that it is correct. The Treasurer will give the completed report to the Superintendent for review.

##### Compliance

The Administrative Assistant that completes the Verification Report will send the report to the Treasurer for review and accuracy before the report is submitted to the Indiana Department of Education – Division of School and Community Nutrition web-site. The Treasurer will review the report for accuracy. Once the Treasurer approves the report, the Administrative Assistant will send the report to the Indiana Department of Education – Division of School and Community Nutrition web-site.

##### Anticipated Completion Date:

December 2016 is the next time this report is due to be completed and submitted to the Indiana Department of Education – Division of School and Community Nutrition Department.

Pamela S. Buksar  
(Signature)

Treasurer  
(Title)

3/8/16

(Date)

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### CORRECTIVE ACTION PLAN

#### **FINDING 2015-009**

Contact Person Responsible for Corrective Action: Ms Quinn Van Rys, Chief Financial Officer for Porter County Education Services Cooperative and Pamela S. Buksar, UTSC Treasurer

Contact Phone Number: Pam Buksar (219) 759-2531 Quinn Van Rys (219) 850-1911

Description of Corrective Action Plan:

#### Internal Controls Over Special Education Cluster

##### Activities Allowed and Allowable Costs/Costs Principles

Porter County Education Services (PCES) hourly employees' time sheets will be matched with the payroll accounting code report that indicates which employees were paid from which accounts. The report and time sheets will be reviewed to insure correct payment of personnel and such review evidenced by the PCES CFO (initial & date). The certified teaching staff hired by the PCES board specifically for special education are for grant eligible positions. Certified staff members and the account codes from which they are paid are also included with the payroll account code report review process.

##### Level of Effort – Maintenance of Effort (MOE)

PCES personnel calculate the member school corporations' MOE each fiscal year. PCES will complete the calculation, summarize the underlying data and provide that information to each member district for review/acknowledgement and evidence of such by the member district. PCES will maintain this evidenced documentation for audit review.

##### Period of Availability

Monthly, PCES personnel review the summary of receipts and expenditures for each grant fund. A comparison of YTD receipts, expenditures and total approved budget amounts for each grant provides on-going monitoring to determine the amount of grant funds still available for expenditure. Once the budget amount has been expended, the grant fund accounts are closed (deactivated) so that additional expenditures from a subsequent period cannot be charged to the completed grant. Such review will be evidenced by initial and date of the PCES reviewer.

#### Board of Trustees

Michael Simatovich, President      Robert Gilliana Jr., Vice President      Julie Giorgi, Secretary  
Stacey Buehler, Member      Shaine Trupkovich, Member

Union Township School Corporation will request electronically via email for PCES to provide these items for Union Township School Corporation personnel to review these processes for compliance. Union Township School Corporation personnel will evidence such review by signature and date on the corresponding documents.

Anticipated Completion Date:

Activities Allowed and Allowable Costs/Costs Principles was implemented with the 9/18/15 payroll.

Level of Effort-Maintenance of Effort (MOE) will be implemented during the next calculation of MOE for state reporting.

Period of Availability – This plan was in place prior to the audit review but formal evidence began September 2015.

James S. Buckner

(Signature)

Treasurer

March 8, 2016

UNION TOWNSHIP SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

**TEXTBOOK RENTAL**

The School Corporation used an estimate of 20 percent shipping charges when calculating textbook rental (TBR) charges to be adopted by the School Board. The actual shipping charges were not known until after the fall when the books were received and after the School Board had adopted the fees to be charged. The actual shipping costs were less than 20 percent in most cases resulting in higher fees charged than the allowable 25 percent of the retail price of curricular materials per Indiana Code 20-26-12-2.

During the audit period, Indiana Code 20-26-12-2 stated in part:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certification standards of the state board; and
- (2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than fifteen percent (15%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected."

# Union Township School Corporation

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March 8, 2016

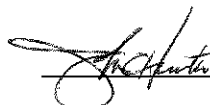
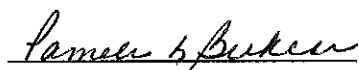
## Union Township School Corporation

### Audit Results and Comments

#### Textbook Rental

Textbook Rental had not been audited at Union Township School Corporation for many years. Textbook fees must be adopted by the School Board in early summer in order to set rates for registration in early August. Therefore, publishers have suggested we estimate 18-20% for shipping and handling. When the invoices are received in September or October, it is not practical to re-set textbook fees based on a more accurate shipping and handling fee putting the schools in a position to refund already paid fees.

Going forward we will require textbook publishers to include shipping and handling in their quote.

  
\_\_\_\_\_  
John Hunter, Superintendent  
\_\_\_\_\_  
Pamela S. Buksar, Treasurer

#### **Board of Trustees**

Julie Giorgi, President

Robert Gilliana Jr., Vice President

Shaine Trupkovich, Secretary

Stacey Buehler, Deputy Secretary

Michael Simatovich, Member

UNION TOWNSHIP SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2016, with Pamela Buksar, Treasurer; John Hunter, Superintendent of Schools; and Julie Giorgi, President of the School Board.