

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DUNELAND SCHOOL CORPORATION

PORTER COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
01/20/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2014-001 - Financial Transactions and Reporting	4
Finding 2014-002 - Internal Controls Over Title I Grants to Local Educational Agencies.....	5-6
Finding 2014-003 - Internal Controls Over Improving Teacher Quality State Grants	6-7
Finding 2014-004 - Internal Controls Over Child Nutrition Cluster.....	7-8
Finding 2014-005 - Allowable Costs/Cost Principles.....	9-10
Finding 2014-006 - Eligibility	10-12
Finding 2014-007 - Equipment and Real Property Management.....	12-13
Finding 2014-008 - Program Income.....	13-15
Finding 2014-009 - Reporting.....	15-16
Finding 2014-010 - Special Tests and Provisions - Paid Lunch Equity.....	16-17
Finding 2014-011 - Special Education Cluster.....	17-19
Corrective Action Plan.....	20-30
Audit Results and Comments:	
Daily Deposits.....	31
Curricular Materials Rental Charges and Educational Fees	31
Exit Conference	32

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bonita K. Gaston (Vacant) Lynn A. Kwilasz	07-01-12 to 06-30-13 07-01-13 to 07-31-13 08-01-13 to 06-30-16
Superintendent of Schools	Dr. Dirk E. Baer Dr. David L. Pruis	07-01-12 to 06-30-13 07-01-13 to 06-30-16
President of the School Board	Janice M. Custer Michael Trout Ralph Ayres	01-01-12 to 12-31-12 01-01-13 to 12-31-13 01-01-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE DUNELAND SCHOOL CORPORATION, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Duneland School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit 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, incorporated within this report, was not verified for accuracy.

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

October 14, 2015

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** 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, payroll disbursements, and the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

The Deputy Treasurer is responsible for issuing receipts, preparing the deposit slip, and taking the deposit to the bank. The Payroll Clerk is responsible for preparing payroll and remitting payroll amounts to the depository. The Treasurer/Chief Financial Officer is responsible for preparing the SEFA. There is no segregation of duties over these activities such as an oversight, review, or approval process.

2. **Monitoring of Controls:** An evaluation of the School Corporation's system of internal control has not been conducted. The failure to monitor the internal control system places the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the School Corporation has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.
3. **Controls Over Payroll Withholdings:** The School Corporation did not establish proper controls over payroll withholdings in the Payroll Clearing fund. Controls were not in place to ensure that payroll withholdings were recorded properly and paid to vendors in a timely manner.

The failure to establish these controls could enable material 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)

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

***FINDING 2014-002 - INTERNAL CONTROLS OVER TITLE I
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers: 12-6470, 13-6470, 14-6470
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Period of Availability, Reporting, and Special Tests and Provisions - Comparability compliance requirements that have a direct and material effect on the program. 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.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability were in compliance with program requirements. One employee was solely responsible for preparing and distributing payroll, the majority of the program expenditures, and for ensuring that only Title I employees were paid from the grant and paid within the available period. An oversight, review, or approval process has not been established.

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that costs were paid for prior to reimbursement being requested and requests for reimbursement or required reports were accurately prepared. One person was responsible for preparing and submitting all requests and reports. An oversight, review, or approval process has not been established.

Eligibility

The School Corporation has not designed or implemented adequate policies or procedures to ensure that all students eligible were receiving Title I services. An oversight, review, or approval process has not been established.

Special Tests and Provisions - Comparability

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the comparability report, which is a required report, was accurately prepared. One person was responsible for preparing and submitting the report. An oversight, review, or approval process has not been established.

DUNELAND 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 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 establish controls, including segregation of duties, related to the grant agreement and the compliance requirements that have a direct and material effect on the program.

FINDING 2014-003 - INTERNAL CONTROLS OVER IMPROVING TEACHER QUALITY STATE GRANTS

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality State Grants
CFDA Number: 84.367
Federal Award Numbers: 10-6470, 11-6470, 12-6470, 13-6470
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Availability, and Reporting compliance requirements that have a direct and material effect on the program. 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.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability were in compliance with program requirements. One employee was solely responsible for preparing and distributing payroll, the majority of the program expenditures, and for ensuring that only the proper employees were paid from the grant and paid within the available period. An oversight, review, or approval process has not been established.

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management and Reporting

The School Corporation has not designed or implemented adequate policies or procedures to ensure that costs were paid for before reimbursement was requested and requests for reimbursement or required reports were accurately prepared. One person was solely responsible for preparing and submitting all requests and reports. 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 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the program.

FINDING 2014-004 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
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 Cash Management, Procurement and Suspension and Debarment, and Special Tests and Provisions - Verification of Free and Reduced Price Meal Applications compliance requirements that have a direct and material effect on the programs. 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.

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were in compliance with the Cash Management requirements. A monitoring or review process has not been established to ensure that the School Lunch fund's net cash resources are limited to three months' average expenditures in compliance with Cash Management requirements.

Procurement and Suspension and Debarment

The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with Procurement and Suspension and Debarment requirements. The School Corporation utilized a third-party for food service bids. The third-party administered the bidding process as well as verified that the vendors were not suspended or debarred and made recommendations to the School Corporation for the winning bid. However, there was no local School Corporation approval of the bids and no oversight of the verification that vendors were not suspended or debarred from participating in federal programs.

Special Tests and Provisions - Verification of Free and Reduced Price Applications

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the verifications of free and reduced price meal applications are in compliance with the requirements, are accurate, or are subjected to review. There was no segregation of duties, such as an oversight, review, or approval process over compliance with the verification of free and reduced applications requirements.

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 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 that have a direct and material effect on the programs.

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2014-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
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 Allowable Costs/Cost Principles 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 or procedures to ensure that payroll disbursements are for only food service operating and administrative costs. There are no controls to ensure that proper documentation is maintained when an employee works on both a federal and non-federal program.

The School Corporation also has not designed or implemented adequate policies or procedures to ensure that all accounts payable vouchers are supported by itemized invoices from the vendors. An oversight, review, or approval process has not been established to ensure that supporting documentation is in agreement with the vouchers submitted for payment.

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."

Compliance

The School Corporation did not comply with Allowable Costs/Cost Principles requirements regarding payment of administrative salaries from the School Lunch fund which receives federal funding from the School Breakfast and National School Lunch Programs. All transactions related to the food service program are recorded in the School Lunch fund. This includes, but is not limited to, salaries and benefits, food purchases, supplies, and all revenue generated by the food service program.

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Wages of food service employees were paid from the School Lunch fund. In 2012-2013 and 2013-2014, a percentage of the salaries of three administrative corporation employees were also paid from the School Lunch fund without the proper documentation. These administrative employees did not maintain personnel activity reports to support the distribution of their salaries to the School Lunch fund. The salaries charged to the federal programs without proper supporting documentation totaled \$39,583 and are considered questioned costs.

OMB Circular A-87, Attachment B, Section 8, Compensation for personal services, states in part:

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

(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,
- (c) An indirect cost activity and a direct cost activity . . ."

The failure to establish internal controls enabled 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Allowable Costs/Cost Principles. Additionally, we recommended that the School Corporation comply with Allowable Costs/Cost Principles requirements.

FINDING 2014-006 - ELIGIBILITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
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 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.

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals is accurately determined. Applications were not subjected to review prior to the notification of eligibility. An oversight, review, or approval process has not been established. In addition, controls were not established to ensure that eligibility documentation was retained for audit.

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."

Compliance

The Food Service Office is responsible for notifying the household of their children's eligibility for benefits to which they are entitled. The documentation for the 2012-2013 fiscal year was not available for audit. The Food Service Department implemented new computer software to maintain their food service program records. The history for the 2012-2013 from the previous software was not retained.

7 CFR 245.6(c)(6) states:

"(6) *Notice of approval-Income applications.* The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application from the household.

(ii) *Direct Certification.* Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free and reduced price school meals or free milk is required. The notice of eligibility must also inform the household that the parent or guardian must notify the local educational agency if they do not want their children to receive free benefits. However, when the parent or guardian transmits a notice of eligibility provided by the SNAP, FDPIR or TANF office, the local educational agency is not required to provide a separate notice of eligibility. The local educational agency must notify, in writing, households with children who are approved on the basis of documentation that they are *Categorically eligible*, as defined in §245.2, that their children are eligible for free meals or free milk, and that no application is required."

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana School Corporations, Chapter 9)

The failure to establish internal controls enabled 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Eligibility. Additionally, we recommended that the School Corporation comply with Eligibility requirements.

FINDING 2014-007 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY 2012-2014

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 or procedures to ensure that the Food Service Department's expenditures for equipment and building improvements are properly accounted for in accordance with Equipment and Real Property Management requirements. There are no controls to ensure that periodic inventories are taken or that they are accurate when taken. In addition, there are no controls to ensure that the inventory records contain the required information for purchases made with federal 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 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."

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Compliance

The Food Service Department requests an annual equipment inventory from the individual schools; however, they do not ensure that inventories are complete or accurate or that they are submitted by each school building. The equipment and building improvements paid with federal program funds for the 2012-2013 and 2013-2014 school years were not included in the inventory presented for audit. The purchases for this time period represent 9 percent of the federal grant expenditures.

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. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation. Failure to maintain detailed and accurate equipment and property records, and to reconcile the physical inventory with the records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Equipment and Real Property Management. Additionally, we recommended that School Corporation comply with the compliance requirements for Equipment and Real Property Management.

FINDING 2014-008 - PROGRAM INCOME

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
Pass-Through Entity: Indiana Department of Education

DUNELAND 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 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 or procedures to ensure that program income was properly recorded in the financial records. 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.

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."

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.

7 CFR 210.14(a) states in part: "The School Food Authority is required to account for all revenue and expenditures of its non-profit school food service in accordance with State requirements."

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. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

FINDING 2014-009 - REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
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 Reporting. 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 or procedures to ensure that the Annual Financial Report (AFR) that is required to be submitted at the end of each fiscal year, was accurate. The reports were not subjected to review to ensure that they were accurate and in compliance with Reporting requirements. An oversight, review, or approval process has not been established.

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."

Compliance

The School Corporation did not comply with the applicable Reporting requirements. The information reported in the AFR should reflect the financial transactions and position of the School Lunch fund and be supported by the accounting records. We could not determine if the information in the AFR was reflective of the financial transactions and position of the School Corporation because the School Corporation financial records do not reflect the breakdown of income as required in the AFR.

7 CFR 3016.20(b) states in part:

"The financial management systems 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. . . .

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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."

The failure to establish internal controls enabled 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Reporting. Additionally, we recommended that the School Corporation comply with the Reporting requirements.

FINDING 2014-010 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY 2012-2014
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 Special Tests and Provisions - Paid Lunch Equity. 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 or procedures to ensure that paid lunch equity was properly determined and implemented. An oversight 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.

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."

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Compliance

The School Corporation did not comply with the Paid Lunch Equity requirements. The School Corporation is required to establish prices for paid lunches per the compliance requirements. If the average price of the School Corporation's paid lunch is less than the difference between the per meal federal reimbursement for paid lunches and free lunches received by the School Corporation in the previous year, new paid lunch prices are to be applied and implemented.

The Indiana Department of Education calculated the required weighted average price for school lunch of \$2.45 to be used by the School Corporation for the 2013-2014 school year. The School Corporation did not correctly apply or implement the calculations to the average paid lunch price for the 2013-2014 school year. The Elementary and Intermediate School paid lunch prices were \$2.25 and the Middle and High School paid lunch prices were \$2.45. This resulted in a weighted average price that was below the amount required.

7 CFR paragraph 210.14(e)(3) states in part:

"(3) *Average lunch price is lower than the reimbursement difference.* When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:

(i) 2 percent; and

(ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.

(4) *Price Adjustments.* (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents."

The failure to establish internal controls enabled 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 establish controls, including segregation of duties, related to the grant agreement and the compliance requirements of Special Tests and Provisions - Paid Lunch equity. Additionally, we recommended that the School Corporation comply with special tests and Provisions - Paid Lunch Equity requirements.

FINDING 2014-011 - SPECIAL EDUCATION CLUSTER

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers: 14211-050-PN01, 14212-050-PN01, 14213-050-PN01, 14214-050-PN01,
99914-050-TA01, 45712-050-PN01, 45713-050-PN01, 45714-050-PN01

Pass-Through Entity: Indiana Department of Education

DUNELAND 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 all of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Level of Effort - Maintenance of Effort, Period of Availability, and Reporting. 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 or Unallowed and Allowable Costs/Cost Principles

Over 95 percent of the grant expenditures are for payroll and related benefit costs for Special Education personnel. One employee is responsible for the preparation, posting, and payment of the bi-weekly payroll and related benefit costs without evidence of a review process. Policies or procedures have not been designed or implemented to ensure required periodic certifications are prepared for all personnel paid solely from federal funds. In addition, for hourly employees, the timesheets that support the payment of payroll do not indicate the program or fund from which the employee is paid.

Cash Management and Reporting

The reimbursement requests were prepared and submitted solely by one individual. An oversight, review, or approval process had not been evidenced or established.

Level of Effort - Maintenance of Effort

The Maintenance of Effort calculation is determined and monitored solely by one individual. An oversight, review, or approval process has not been evidenced or 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.

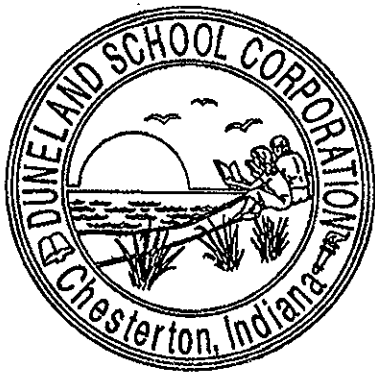
OMB Circular A-133, Subpart C, section .300(b) states:

"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."

DUNELAND SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on the programs 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 all compliance requirements that have a direct and material effect on the programs.



Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Lynn A. Kwilas

Contact Phone Number: 219-983-3600

Description of Corrective Action Plan:

(1) Segregation of Duties

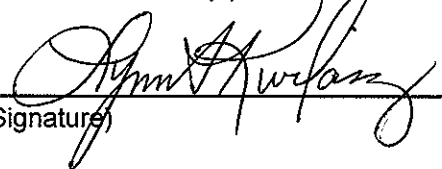
- **Deposits:** After the Deputy Treasurer completes the deposit ticket the Treasurer reviews the items, form of deposit, and total. The copy of the deposit ticket is initialed and dated by the Treasurer before the deposit is taken to the bank by the Deputy Treasurer. Deposit ticket copies are reconciled to bank statement and to receipts entered into the financial accounting system by the Deputy Treasurer and then reviewed by the Treasurer and signed to indicate review has been conducted as part of the monthly reconciliation of depository records with financial records.
- **P/R Remittance:** The Payroll Clerk balances the payroll claim by the internal balancing reports. Deputy Treasurer will review and indicate that review has occurred (by initialing & dating) a copy of the final payroll claim and the associated internal balancing reports/documentation. Payroll direct deposit system-generated report will be signed and dated by the Payroll Clerk and reviewed in conjunction with the bank confirmation report by the Deputy Treasurer (evidenced by signature/date). Payroll Claim is reconciled to the bank depository records and accounting system financial records as a part of the monthly reconciliation process evidenced by Treasurer signature/date.

(2) Monitoring of Controls

- The clearing account is reviewed monthly by the Deputy Treasurer as a part of the monthly financial accounting reconciliation process. P/R deduction items with mandatory deadlines such as federal taxes, FICA/Medicare, voluntary PERF/TRF and 403(b) deductions are cleared upon completion of the semi-monthly payroll processing. Other P/R deduction items that are recorded in the clearing accounts are paid (cleared) when such payments are due by receipt of a bill (e.g., insurances) or by statutory due date (i.e., state/county taxes). Many of those dates are not within the same month as the deduction. Thus, balances may exist at month-end but such are reviewed by the Deputy Treasurer and acknowledged as a part of the monthly financial reconciliation process evidenced by the signature/date of the Treasurer.

Anticipated Completion Date:

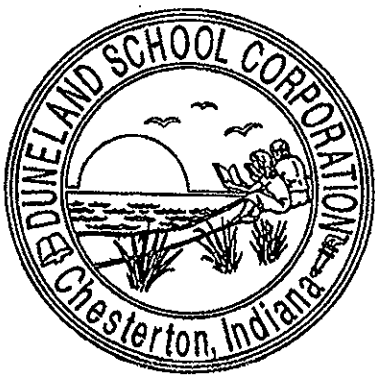
- (1) **Deposits:** This practice was actively put into action beginning July 2014.
- (1) **P/R Remittance:** Reconciliation process with appropriate review indicators was actively put into action beginning July 2014. Additional review processes will begin with the September 2015 payroll.
- (2) **Monitoring of Controls:** Reconciliation process with appropriate review indicators was actively put into action beginning July 2014.


(Signature)

TREASURER
(Title)

8/25/2015
(Date)

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Duneland School Corporation

ADMINISTRATION CENTER
601 West Morgan Avenue
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Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-002

Contact Persons Responsible for Corrective Action: Dr. Linda Rugg, Title I Coordinator
Lynn A. Kwilasz, Treasurer

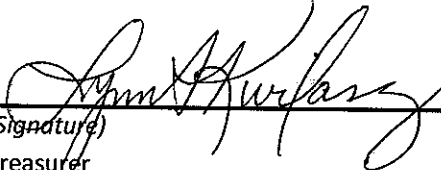
Contact Phone Number: Dr. Rugg: 219.983-3680
L. Kwilasz: 219-983-3600

Description of Corrective Action Plan:

- (1) Cash Management & Reporting: Reimbursement reports are completed on-line by the Treasurer. A hard-copy of the report and supporting detail reports from the financial accounting system are provided to the Superintendent for review and signature to evidence review.
- (2) Activities Allowed, Allowable Costs and Period of Availability: Title I certified staff are assigned at the beginning of the grant period and contracts are issued to each individual indicating that their pay is from the Title I grant. Contract data is used in the P/R system and is reviewed by the Deputy Treasurer and/or Treasurer. Title I teachers will be noted on the internal payroll balancing report that is used to verify, check and balance each payroll claim. Instructional Aides are approved by Board specifically as Title I Aides and by specified site. Treasurer and/or Deputy Treasurer provide corresponding Title I account numbers to the P/R Clerk for processing. Each Title I Aide completes a time sheet which is approved by the site principal. Following the posting of P/R to the financial accounting records, a detailed report of employees paid from the grant shall be provided to each Title I site principal for review and verification by initial and date on the report that such employees remain eligible for payment from grant funds. Reports will be returned to the Treasurer (who shall retain them as part of the financial grant file). Corrections will be made as directed by the site principal and Title I Director.
- (3) Eligibility: Selection criteria will be documented by the Title I Director and distributed to the site principals. Selection Lists will be compiled, signed and dated by the site principal and provided to the Title I Director. The Title I Director will randomly audit a sample of each list to verify that the selection criteria was met for students selected for audit review. Director will indicate by signature and date on each list, the results of the random sample audit.
- (4) Special Tests and Provisions for Comparability: The Title I Director prepares the report, reviews it and all supporting documentation with the Treasurer and Assistant Superintendent for Curriculum & Instruction, and submits the report on-line to the IDOE. Beginning with the 2014-15 comparability report, the Assistant Superintendent shall evidence the review of the report by signing and dating the hard-copy of the report.

Anticipated Completion Date:

- (1) This plan was implemented effective August 2014.
- (2) This plan will be implemented beginning with the 9/5/15 payroll.
- (3) This plan will be implemented with the 2015-16 Title I grant student selection.
- (4) This plan will be implemented in October 2015 with the completion of the 2014-15 comparability report.

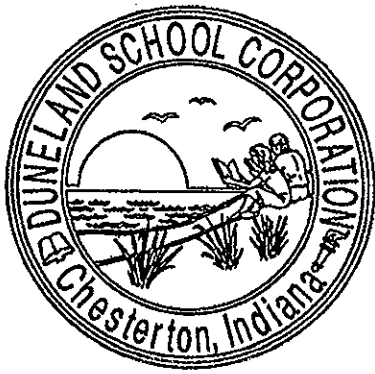


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

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CORRECTIVE ACTION PLAN

FINDING 2014-003

Contact Persons Responsible for Corrective Action: James Goetz, Assistant Superintendent
Lynn A. Kwilas, Treasurer

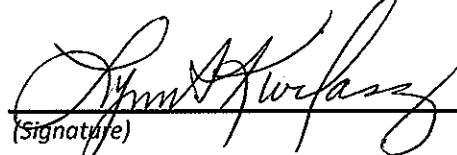
Contact Phone Number: J. Goetz: 219-983-3600
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

- (1) Cash Management & Reporting: Reimbursement reports are completed by the Treasurer. A copy of the report and supporting detail reports from the financial accounting system are provided to the Superintendent for review and signature to evidence review.
- (2) Activities Allowed, Allowable Costs and Period of Availability: Title II certified staff are assigned at the beginning of the grant period and contracts are issued to each individual indicating that their pay is from the Title II account. Contract data is used in the P/R system and is reviewed by the Deputy Treasurer and/or Treasurer. Title II teachers will be noted on the internal payroll balancing report that is used to verify, check and balance each payroll claim. Following the posting of P/R to the financial accounting records, a detailed report of employees paid from the grant shall be provided to the Assistant Superintendent for Curriculum & Instruction who oversees the program portion of the Title II grant, for review and verification by initial and date on the report that such employees remain eligible for payment from grant funds. Reports will be returned to the Treasurer (who shall retain them as part of the financial grant file). Corrections will be made as directed by the Assistant Superintendent.

Anticipated Completion Date:

- (1) This plan was implemented effective November 2014.
- (2) This plan will be implemented beginning with the 9/5/15 payroll.

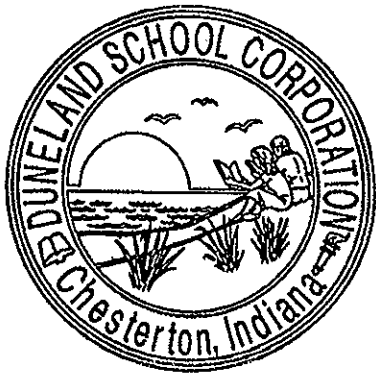


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2014-004

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

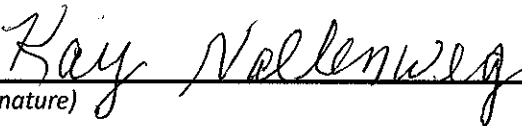
Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

1. Procurement, Suspension, and Debarment: As a member of the Northwest Indiana Education Service Center (NWIESC) the school corporation annually participates in a cooperative bid for bread and milk to be used in the School Lunch Program. Acceptance of the most responsive and responsible vendors from the NWIESC cooperative bids for bread and milk shall be recommended by the Food Service Director to the Superintendent for presentation to the Board of School Trustees for approval. The minutes of the Board meeting at which the recommendation is acted upon shall serve as documentation of the acceptance of these vendors' bids.
2. Special Tests and Provisions – Verification of Free & Reduced Price Applications: The Food Service Director completes the verification process in accordance with the requirements of the Free & Reduced Lunch Program. Upon completion of the verification process, the Director of Support Services will randomly sample the verification results to provide a reasonableness check of the overall verification process. This shall be evidenced by a signed and dated statement indicating that such review was conducted and listing those applications that were tested.
3. Cash Management: A spreadsheet that computes a 3-month expenditure rolling average amount will be created and used to compare with the month-end cash balance of the Food Service fund. These amounts and balances will be taken from the monthly financial accounting system expenditure and fund balance reports, copies of which will be retained with the monthly Food Service Department accounting and operational records. The Deputy Treasurer will complete the spreadsheet, the Treasurer and the Food Service Director will review and each will evidence such review by initial and date on the monthly report. The spreadsheet and all supporting documentation shall be retained in accordance with state and federal record retention guidelines.

Anticipated Completion Date:

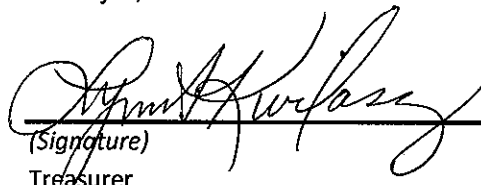
1. The 2015-16 vendor awards were approved by the Board of School Trustees in August 2015.
2. This plan will begin with the 2015-16 school year that begins in August 2015.
3. This plan will begin in fiscal year 2015-2016 which starts on July 1, 2015.



(Signature)
Food Service Director

(Title)
August 25, 2015

(Date)

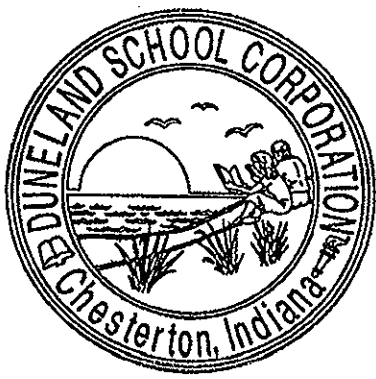


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2014-005

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer


Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

1. Allowable Costs – Non-Food Service Personnel-Related Costs: During the audit period a portion of various non-Food Service Department employees' salaries were charged to the Food Service Fund as a cost-sharing measure for corporation-wide operating costs such as payroll processing, accounts payable processing, accounting, and insurance benefit administration. However, no time and effort logs were maintained to substantiate the amounts allocated to the Food Service Department. That cost-sharing process has been discontinued effective July 1, 2015.
2. Allowable Costs – Food Service Personnel Costs: Food Service personnel are approved by the Board of School Trustees for employment in the Food Service Department. Payroll time sheets are verified by the individual school cafeteria managers and such authorization is evidenced by the manager's signature and date prior to payment. School cafeteria managers' timesheets as well as Food Service Department Coordinators' timesheets are verified and approved by the Food Service Director and evidenced by signature and date prior to pay. Following the posting of P/R to the financial records, a detailed report employees paid from the food service fund shall be provided to the Food Service Director and Coordinators for review and verification evidenced by initial and date that the reported employees were eligible for payment from the Food Service Fund. Verified reports will be retained in the Food Service Department in accordance with state and federal retention guidelines. Corrections will be made by the corporation accounting personnel as directed by the Food Service Department. Such direction shall be provided in a written format that is signed and dated by the Food Service Director or her designee.
3. Allowable Costs – Vendor Invoices: Vendor invoices and the supporting itemized detail reporting shall be maintained and included with all vouchers for payment. The Food Service Director, or her authorized designee, shall evidence that vouchers are supported by the correct documentation by signature on the Accounts Payable Voucher form. This has been the expected operating practice. Discussion with the Food Service Director to reinforce the significance of this operating practice has occurred.

Anticipated Completion Date:

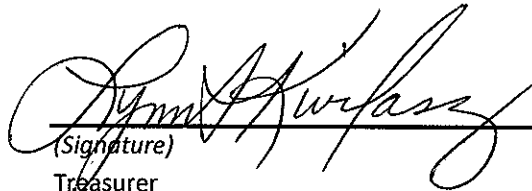
1. Completed as of 6/30/15.
2. Will begin with the payroll of 9/5/15.
3. Completed as of 7/1/15.



 (Signature)
 Food Service Director

 (Title)
 August 25, 2015

 (Date)

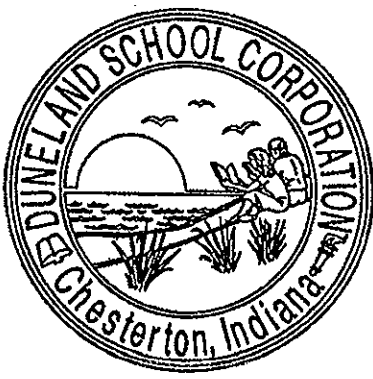


 (Signature)
 Treasurer

 (Title)
 August 25, 2015

 (Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-006

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600


Description of Corrective Action Plan:

Documentation of the notification of household eligibility for Free & Reduced (F/R) Lunch will be retained in the Food Service Department as required by the F/R Lunch program and the federal and state record retention guidelines. The food service student information system provides an archived record of the eligibility notification letters and at end of the school year such.

Eligibility notifications will be randomly sampled by the Food Service Director in order to insure that eligibility guidelines are being met. Such review will be evidenced by initial and date.

Anticipated Completion Date:

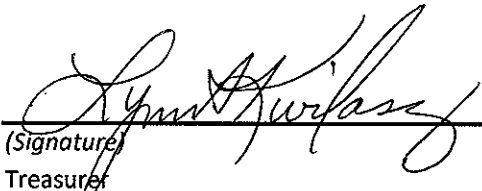
This plan shall be implemented for the 2015-2016 school year beginning August 2015.



(Signature)
Food Service Director

(Title)
August 25, 2015

(Date)

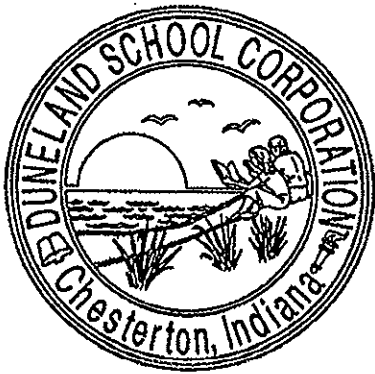


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

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CORRECTIVE ACTION PLAN

FINDING 2014-007

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilasz, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilasz: 219-983-3600

Description of Corrective Action Plan:

The Food Service Department inventory records shall be updated and maintained in accordance with all statutory, regulatory and local Board of School Trustees' policies regarding equipment inventories. Annually, such inventory shall be physically verified by the Food Service Department management, reviewed by the Director of Support Services, and appropriate adjustments (additions/deletions/location transfers, etc.) shall be made and evidenced by signature and date of the Food Service Director and Director of Support Services on the annual, updated listing.

Anticipated Completion Date:

This plan shall be implemented during the 2015-16 school year with all initial updates and verification completed by July 2016.



(Signature)

Food Service Director

(Title)

August 25, 2015

(Date)



(Signature)

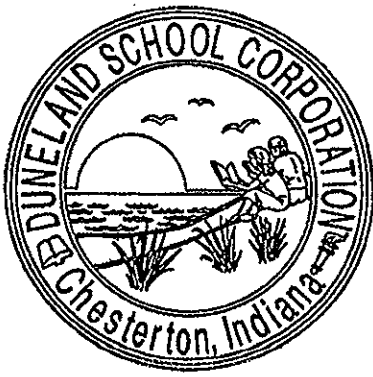
Treasurer

(Title)

August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

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Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-008

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600

Description of Corrective Action Plan:

A Pre-Paid Food clearing account has been established in the corporation financial accounting system. All lunch and breakfast program income will be deposited into this account as it is received. Monthly, income will be recognized, transferred, and recorded to the appropriate income classifications in the Food Service Fund 0800 in the corporation financial accounting system. Such income recognition by the corporation shall be evidenced by the appropriate Food Service Department Record of Daily Cash Received reports and any other supporting documentation that is prepared by the Food Service Coordinator on no less than a monthly basis. The balance of pre-paid food funds that remain in the clearing account at the end of each month shall be evidenced by the roster of student account balances as maintained in the Food Service Department student account system records. A month-end summary copy of this roster shall be provided to the Deputy Treasurer in include with the corporation monthly financial accounting reconciliation documentation. All documentation required to support the 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:

The Pre-Paid Food Service Clearing account was established in the corporation accounting records as of July 1, 2015. The appropriate documentation to support the beginning balance was provided to the Deputy Treasurer from the Food Service Department student accounting records. The remainder of this plan will be implemented beginning with the 2015-16 school year, August 2015.



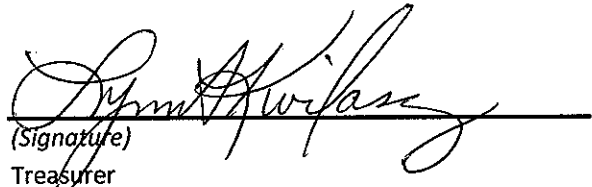
(Signature)

Food Service Director

(Title)

August 25, 2015

(Date)



(Signature)

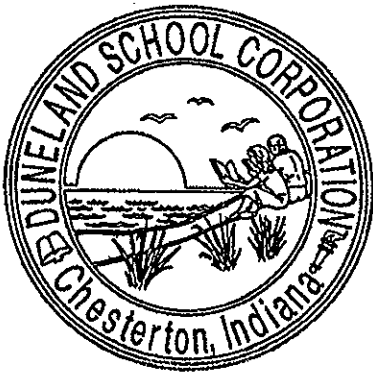
Treasurer

(Title)

August 25, 2015

(Date)

* An Equal Opportunity Employer *



Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-009

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilasz, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilasz: 219-983-3600

Description of Corrective Action Plan:

The Annual Financial Report (AFR) is completed by the Food Service Coordinator and reviewed by the Food Service Director. Review will be evidenced on the report by signature and date by the Food Service Director. The supporting documentation from both the food service accounting records and the corporation financial accounting system are used to insure that the report accurately reflects the fiscal year-end position of the Food Service Fund. All documentation used to complete the report will be organized, indexed, and retained by the Food Service Department with a copy of the report as required by state and federal record retention guidelines. Upon completion and review of the report within the Food Service Department, the Treasurer or Deputy Treasurer will review the report with its supporting documentation and evidence that review by signature and date on a copy of the AFR.

Anticipated Completion Date:

This action plan was implemented in July 2015 for the 2014-2015 AFR.



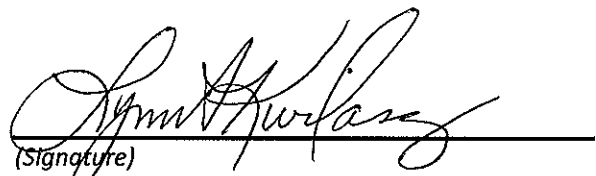
(Signature)

Food Service Director

(Title)

August 25, 2015

(Date)



(Signature)

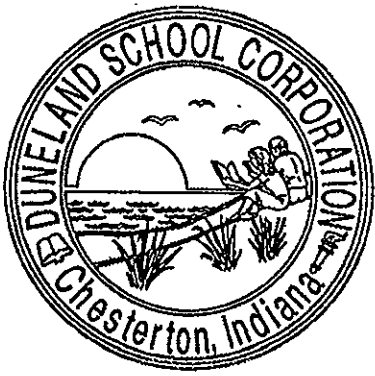
Treasurer

(Title)

August 25, 2015

(Date)

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ADMINISTRATION CENTER

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Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-010

Contact Persons Responsible for Corrective Action: Kay Nallenweg, Food Service Director
Lynn A. Kwilas, Treasurer

Contact Phone Number: K. Nallenweg: 219-983-3723 x 6162
L. Kwilas: 219-983-3600


Description of Corrective Action Plan:

The Food Service Director and Food Service Coordinator contacted the School and Community Nutrition (SCN) Finance Specialist at the Indiana Department of Education (IDOE) to review the USDA Paid-Lunch-Equity (PLE) Test and Provisions. The Finance Specialist provided assistance with completing the 2015-16 USDA PLE tool which calculates the PLE average lunch price needed to comply with the USDA PLE requirement. The results of the calculation indicated that the school corporation must increase paid lunch prices for 2015-16. Those results were reviewed by the Treasurer and the Director of Support Services who evidenced that review by signature and date. The price increase recommendation was submitted to the Superintendent for approval by the Board of School Trustees at the August 10, 2015 board meeting.

This procedure will be used in subsequent years: Food Service Coordinator will input the required information into the USDA PLE calculation program as supplied to the school corporation by the IDOE SCN. The results and the supporting documentation will be reviewed by the Treasurer and the Director of Support Services who will evidence that review by signature and date on the report. A recommendation for lunch price changes will be submitted to the Superintendent for action by the Board of School Trustees at a public board meeting prior to the start of the affected school year. Board minutes will reflect the result of that recommendation. A copy of the report and all supporting documentation will be retained by the Food Service Department in accordance with state and federal record retention guidelines.

Anticipated Completion Date:

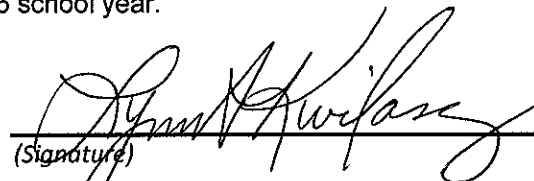
This plan was implemented in August 2015 for the 2015-2016 school year.



(Signature)
Food Service Director

(Title)
August 25, 2015

(Date)

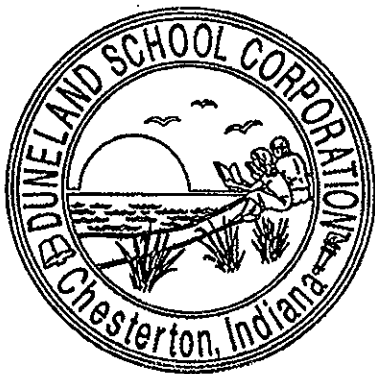


(Signature)
Treasurer

(Title)
August 25, 2015

(Date)

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Duneland School Corporation

ADMINISTRATION CENTER

601 West Morgan Avenue

Chesterton, Indiana 46304-2205

Phone: 219-983-3601 FAX: 219-983-3614

CORRECTIVE ACTION PLAN

FINDING 2014-011

Contact Persons Responsible for Corrective Action: Ms. Quinn Van Rys, Chief Financial Officer
Porter County Education Services (PCES) Cooperative

Lynn A. Kwilas, Treasurer

Contact Phone Number: Quinn Van Rys: 219-850-1911
Lynn Kwilas 219-983-3604

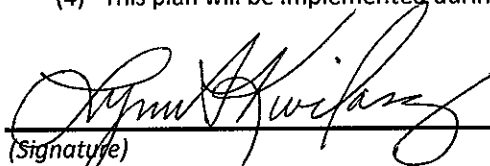
Description of Corrective Action Plan:

- (1) Cash Management & Reporting: Reimbursement reporting is an operational process that is completed by PCES personnel on behalf of the member school corporations. The school corporations rely upon PCES to appropriately complete the review process as a part of the operational support that PCES provides. Reimbursement reports are, effective with those filed in FY 2015, subject to a review process that includes evidence that such review has occurred.
- (2) Activities Allowed, Allowable Costs and Period of Availability: 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.
- (3) 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.
- (4) 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.

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

Anticipated Completion Date:

- (1) This plan was implemented effective July 2014 (FY 2015).
- (2) This plan was implemented beginning with the 9/18/15 payroll.
- (3) This plan was in place prior to the audit review but formal evidence began September 2015.
- (4) This plan will be implemented during the next calculation of MOE for state reporting.



(Signature)

Treasurer

(Title)

October 12, 2015

* An Equal Opportunity Employer *

DUNELAND SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

DAILY DEPOSITS

Receipts were deposited later than the next business day in 48 percent of the receipts tested. Deposits were made up to 11 days after the original receipt date.

All school corporation money must be deposited in the duly designated depository not later than the business day following the receipt of funds on business days of the depository designated in the same form in which the funds were received in accordance with IC 5-13-6-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

CURRICULAR MATERIALS RENTAL CHARGES AND EDUCATIONAL FEES

Curricular materials rental charges and other educational fees were adopted for the 2013-2014 school year, but only for grades K-6; approval for grades 7-12 was not noted in the Board minutes. In addition, no written opinion from the School Corporations' attorney was sought in regards to educational fees charged to students.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Indiana Code 20-26-4-1(d) concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (The School Administrator and Uniform Compliance Guidelines, Volume 185, March 2009)

DUNELAND SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2015, with Lynn A. Kwilasz, Treasurer; Dr. David L. Pruis, Superintendent of Schools; and Ralph Ayres, President of the School Board.