

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WESTVIEW SCHOOL CORPORATION

LAGRANGE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
07/01/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brian Christner	07-01-12 to 12-31-16
Superintendent of Schools	Dr. Randall Zimmerly	07-01-12 to 06-30-16
President of the School Board	Gerald Lee	01-01-12 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE WESTVIEW SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Westview 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 and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

March 23, 2016

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. The Deputy Treasurer posts receipts, prepares the bank deposit slip, and takes the deposit to the bank.
2. For school lunch, the cafeteria clerk at each school reconciles collections to the food service program prior to preparing the bank deposit slip. The School Courier takes the deposit to the Deputy Treasurer in a locked bag, which the Deputy Treasurer cannot access. The Deputy Treasurer takes the locked bag to the bank for deposit. Prior to the deposit, there is no verification by another individual that the collections reconcile to the food service program receipts.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approval take place and to have a separation of functions over financial transactions and reporting. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

FINDING 2014-002 - INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

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

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, such as an oversight or approval process, related to following compliance requirements that have a direct and material effect to the programs: Eligibility and Program Income.

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Eligibility

A parent must file an application for their child to qualify for free or reduced priced meals unless the child qualifies through direct certification. For applications filed, one individual determines whether a child qualifies for free or reduced priced meals. There was no control in place to ensure determinations for free or reduced priced meals were correct.

Program Income

The School Corporation receives program income from meal sales. The Cafeteria Clerk at each school reconciles program income collected to the food service program prior to preparing the bank deposit slip; however, there is no verification by another individual that program income reconciles to the food service program.

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

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

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

The failure to establish 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 and implement controls, including segregation of duties, related to the grant agreement and compliance requirements listed above that have a direct and material effect on the programs.

FINDING 2014-003 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

Federal Program: School Breakfast Program, National School Lunch Program

CFDA Number: 10.553, 10.555

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

Pass-Through Entity: Indiana Department of Education

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

The School Corporation relied on officials of another school corporation as part of a purchasing group to perform procurement activities and to verify compliance with Suspension and Debarment requirements for a Third Party Purchasing Service for food products, materials, and supplies. The School Corporation provided no oversight or approval of the process. Only one company submitted a proposal for Third-Party Purchasing Services; however, the contract with this vendor was not available 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."

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

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

FINDING 2014-004 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Education
Federal Program: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY 12-13, 13-14
Pass-Through Entity: Indiana Department of Education

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

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

The School Corporation calculated, but did not retain, the calculation for paid lunch equity for school years 2012-2013 and 2013-2014. As a result, the compliance requirement for Paid Lunch Equity could not be verified.

7 CFR 210.14(e) states in part:

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

- (1) *Calculation procedures.* Each school food authority shall:
 - (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
 - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
 - (iii) Compare the average price of a paid lunch under paragraph(e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

7 CFR 210.15(b) 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: . . .

- (6) Records to document compliance with the requirements in § 210.14(e) . . . "

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

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

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

FINDING 2014-005 - INTERNAL CONTROL OVER TITLE I, PART A CLUSTER

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Education Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-4525, 13-4525, 14-4525

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, such as an oversight or approval process, related to following compliance requirements: Special Tests and Provisions - Annual Report Card and High School Graduation Rate. The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

The School Corporation operated one high school during the audit period. When a student was removed from the graduation rate cohort (due to a transfer out, emigrating to another country, or death), the removal was performed at the building level. The School Corporation did not have internal controls in place to ensure that written approval was retained to confirm that a student should be removed from the cohort.

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."

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

FINDING 2014-006 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-4525, 13-4525, 14-4525

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 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 program.

The School Corporation failed to maintain the personnel activity reports to help ensure that payments were properly allocated between federal and nonfederal funds as required.

OMB Circular A-87, Attachment B, item 8h, states in part:

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

WESTVIEW 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 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 School Corporation's management establish and implement controls, including the segregation of duties, related to the grant agreement and compliance requirements for Allowable Costs/Cost Principles. Additionally, we recommend that the School Corporation comply with Allowable Costs/Cost Principles requirements.

FINDING 2014-007 - EARMARKING

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 12-4525, 13-4525, 14-4525

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 compliance requirements for Earmarking. 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.

Federal regulations require that schools reserve 1 percent of its grant allocation for parent involvement if the grant allocation is \$500,000 or above. This compliance requirement for Earmarking could not be verified because the School Corporation did not account for parent involvement separately within their ledger. Upon reviewing Title I expenditures, the School Corporation incurred costs for parental involvement family night activities that included food purchases of \$4,464 which are considered questioned costs.

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The Title I Fiscal Handbook, Allowable Use of Title I Funds section, states in part:

"Food - Generally, there is a very high burden of proof to show that paying for food and beverages with Federal funds is necessary to meet the goals and objectives of a Federal grant. When a grantee is hosting a meeting for staff, the grantee should structure the agenda for the meeting so that there is time for participants to purchase their own food, beverages, and snacks. In addition, when planning a meeting, grantees may want to consider a location in which participants have easy access to food and beverages.

While determinations will be made on a case-by-case basis, and there may be some circumstances where the cost would be permissible, it is likely that those circumstances will be rare. Grantees, therefore, will have to make compelling case that the unique circumstances they have identified would justify these costs as reasonable and necessary."

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 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 and implement controls, including segregation of duties, related to the grant agreement and the compliance requirements of Earmarking. Additionally, we recommended that the School Corporation comply with Earmarking requirements.

FINDING 2014-008 - REPORTING

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 12-4525, 13-4525, 14-4525
Pass-Through Entity: Indiana Department of Education

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

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation establishes separate line items within their accounting system for Title I funds in accordance with their approved Title I budgets. The Director of Finance prepares the reimbursement requests and final expenditure reports based on paid Title I expenditures which are reviewed by the Title I Director prior to submission to the Indiana Department of Education. The supporting documentation from the School Corporation's accounting system did not properly reflect the expenditure classifications reported on the reimbursement requests and final expenditure reports.

34 CFR 80.20(b) states in part:

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

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

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

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 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 and implement controls, including segregation of duties, related to the grant agreement and the compliance requirements of Reporting. Additionally, we recommended that the School Corporation comply with Reporting requirements.

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2014-009 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education
Federal Program: Improving Teacher Quality
CFDA Number: 84.367
Federal Award Number and Year (or Other Identifying Number): 11-4525, 12-4525
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 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 program.

The School Corporation failed to maintain personnel activity logs to help ensure that payments were properly allocated between federal and nonfederal funds as required.

OMB Circular A-87, Attachment B, item 8h, states in part:

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

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."

WESTVIEW SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 and implement controls, including the 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.

Westview School Corporation

DR RANDAL ZIMMERLY, Superintendent
MICHELE GREWE, Curriculum Coordinator

BOARD OF TRUSTEES
GERALD LEE, President
DAVID MEHAS, Vice President
CARRIE SCHROCK, Secretary
KEITH LAMBRIGHT, Member
JIM MILLER, Member

Corrective Action Plan

Contact Person: Brian L Christner
Title: Director of Finance
Phone Number: 260-768-4404 ext 1003

FINDING 2014-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

1. The Deputy Treasurer posts receipts, prepares bank deposit slip, and takes the deposit to the bank.
2. For school lunch, the cafeteria clerk at each school reconciles collections to the food service program prior to preparing the bank deposit slip. The lunch clerk delivers the deposit to the Deputy Treasurer in a locked bag, which the deputy Treasurer cannot access. The Deputy Treasurer takes the locked bag to the bank for deposit. Prior to the deposit, there is no verification by another individual that the collections reconcile to the food service program receipts.

Views of Responsible Official: In the view of the Westview Director of Finance, the above finding is correct. While having a second employee verify the deposit ticket will not eliminate all risk of theft it may mitigate some of the risk.

Anticipated Completion Date: April 1, 2016

1. Corporation bank deposits will be verified and signed by the Executive Secretary before the Deputy Treasurer takes the deposit to the bank.
2. The cafeteria lunch clerk will print the appropriate food service receipt report and prepare the bank deposit. Then the lunch clerk will present the food service bank deposit slip along with the appropriate report from the food service program to the office secretary at the Elementary Schools or the bookkeeper at the high school. After the review the secretary/bookkeeper will sign the deposit and the report. Then the food service clerk will lock the deposit in the bank bag and deliver the bag to the Deputy Treasurer for deposit.


Signature Title Date 3/23/16

Westview School Corporation

DR RANDAL ZIMMERLY, Superintendent
MICHELE GREWE, Curriculum Coordinator

BOARD OF TRUSTEES
GERALD LEE, President
DAVID MEHAS, Vice President
CARRIE SCHROCK, Secretary
KEITH LAMBRIGHT, Member
JIM MILLER, Member

Corrective Action Plan

Contact Person: Brian L Christner
Title: Director of Finance
Phone Number: 260-768-4404, ext 1003

Finding 2014-002

INTERNAL CONTROL OVER CHILD NUTRITION CLUSTER ELIGIBILITY

A parent must file an application for their child to qualify for free or reduced priced meals unless the child qualifies for direct certification. For the applications filed, one individual determines whether a child qualifies for free or reduced priced meals. There was no control in place to ensure whether eligibility determination was correct.

PROGRAM INCOME

The School Corporation receives program income from meal sales. The cafeteria clerk at each school reconciles program income collected to the food service program prior to preparing the bank deposit slip; however there is no verification by another individual that program income reconciles to the food service program.

Views of Responsible Official: In the view of the Director of Finance this finding related to Eligibility is substantially correct. The Director of Finance did review 20% of the applications for accuracy related to the determination of eligibility for free or reduced lunch prices. The Director of Finance now does have the Meals plus program installed on his computer and in the future 100% of the application status determination will be reviewed for accuracy.

In the view of the Westview Director of Finance the Program Income finding is correct. While adding another person to check the deposit preparation will not completely remove the risk of theft it may mitigate some of the risk.

Anticipated Completion Date: April 1, 2016

Eligibility

The application for free or reduced priced meals is received from the parent by the Meals Plus administrator. The application is input into the Meals Plus Software by the Meals Plus administrator and this process is used to determine free or reduced price eligibility. Once eligibility status has been determined the application and the Meals Plus eligibility status is reviewed by the Director of Finance

for accuracy. When the initial eligibility status is completed by the Meals Plus administrator, he/she will initial the application. When the review of the status determination is completed the Director of Finance will also initial the application.

INCOME

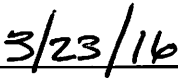
The cafeteria lunch clerk will print the appropriate food service receipt report and prepare the bank deposit. Then the lunch clerk will present the food service bank deposit slip along with the appropriate report from the food service program to the office secretary at the Elementary Schools or the bookkeeper at the high school. After the review the secretary/bookkeeper will sign the deposit and the report. Then the food service clerk will lock the deposit in the bank bag and deliver the bag to the Deputy Treasurer for deposit. The report signed by the secretary/bookkeeper will be kept on file.



Signature



Title



Date

Westview School Corporation

DR RANDAL ZIMMERLY, Superintendent
MICHELE GREWE, Curriculum Coordinator

BOARD OF TRUSTEES
GERALD LEE, President
DAVID MEHAS, Vice President
CARRIE SCHROCK, Secretary
KEITH LAMBRIGHT, Member
JIM MILLER, Member

Corrective Action Plan

Contact Person: Brian L Christner
Title: Director of Finance
Phone Number: 260-768-4044, ext 1003

Finding 2014-003


PROCUREMENT AND SUSPENSION AND DEBARMENT

- 1 The School Corporation relied on officials of another school corporation as part of a purchasing group to perform procurement activities and to verify compliance with Suspension and Debarment requirements for a Third Party Service for food products, materials, and supplies. The School Corporation did not provide oversight or approval of the process. Only one company submitted a proposal for the Third Party Purchasing Services; however, the contract with this vendor was not available for audit.

Views of Responsible Official: In the view of the Westview Director of Finance this finding is correct. I do believe that we have selected a very qualified food vendor in HPS/Gorden Foods through our procurement process. In the future the Director of Finance will assure that the vendor who wins the bid is eligible per the guidelines in this finding.

Anticipated Completion Date: May 27, 2016

1. The School Corporation has utilized the bid process for milk and bread purchases successfully for many years through the Northern Indiana Educational Service Center (NIESC). During the audit period in question, Westview relied on a procurement process through Goshen Community School Corporation to select its vendor for food, and kitchen materials and supplies. Westview has been very happy with the pricing and services of Gordon foods. However, because that procurement process failed to generate multiple food bids Westview has joined the food procurement RFP process with NIESC at the beginning of the 2015-16 school year. On May 19th NIESC will hold a meeting to review food bids from Dean's, Prairie Farms, Pleasantview, Alpha, Aunt Millie's, IPA, McFarlin Foods, GFS, Stanz, Commercial Food Systems, and US Foods. When vendors are selected by NIESC Westview plans to use those vendors to supply its food, materials and supplies, bread and dairy for its meals. At that point, the Director of Finance, will personally verify compliance with Suspension and Debarment requirements and will maintain documentation on file.



Signature

Director of Finance

Title

3/23/16

Date

Westview School Corporation

DR RANDAL ZIMMERLY, Superintendent
MICHELE GREWE, Curriculum Coordinator

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Corrective Action Plan

Contact Person: Brian L Christner
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Phone Number: 260-768-4044, ext 1003

Finding 2014-004

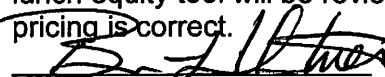
PROGRAM INCOME AND SPECIAL TESTS AND PROVISIONS PAID LUNCH EQUITY

- 1 The school calculated, but did not retain, the calculation for paid lunch equity, for school years 2012-2013 and 2013-2014. As a result, the compliance requirement for Paid Lunch Equity could not be verified.

Views of Responsible Official: In the view of the Westview, Director of Finance, the above finding is correct.

Anticipated Completion Date: July 1, 2014

1. The School Lunch Paid Equity tool provided by the Indiana Department of Education, School Lunch Division has been employed for the school years of 2014-2015 and school years 2015-2016. The results of the school lunch equity were printed and retained for the (2) years subsequent to the audit in question. This process will continue into the future. The results of the paid lunch equity tool will be reviewed with the DOE to ensure that lunch pricing is correct.



Brian L Christner,

Director of Finance

Title

3/23/14

Date

Westview School Corporation

DR RANDAL ZIMMERLY, Superintendent
MICHELE GREWE, Curriculum Coordinator

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CARRIE SCHROCK, Secretary
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Corrective Action Plan

Contact Person: Brian L Christner
Title: Director of Finance
Phone Number: 260-768-4404, ext 1003

Finding 2014-005


INTERNAL CONTROL OVER TITLE I, PART A CLUSTER

The School Corporation operated one high school during the audit period. When a student was removed from the graduation rate cohort (due to a transfer out, emigrating to another country or death), the removal was performed at the building level. The School Corporation did not have internal controls in place to ensure that written approval was retained to confirm a student should be removed from the cohort.

Views of Responsible Official: In the view of the Westview, Director of Finance, the above finding is correct.

Anticipated Completion Date: April 1, 2016

Whenever the Westview High school finds cause to remove a student from the graduation rate cohort, the building principal will provide written documentation to the Westview School Corporation Superintendent. The Superintendent will review the written documentation and where appropriate sign off on the decision.



Brian L Christner,
Director of Finance

Title
3/23/16

Date

Westview School Corporation

DR RANDAL ZIMMERLY, Superintendent
MICHELE GREWE, Curriculum Coordinator

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Corrective Action Plan

Contact Person: Brian Christner
Title: Director of Finance
Phone Number: 260-768-4404, ext 1003

Finding 2014-006

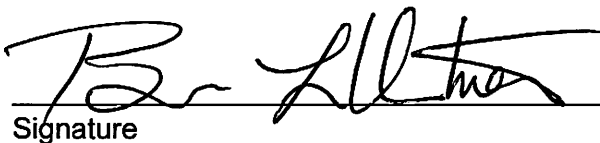
ALLOWABLE COSTS/COST PRINCIPALS

The School Corporation failed to maintain the necessary documentation relating to time and effort. Time and effort logs should be maintained to help ensure that payments were properly allocated between federal and non-federal funds as required.

Views of Responsible Official: In the view of the Westview, Director of Finance, the above finding is correct.

Anticipated Completion Date: April 1, 2016

Westview School Corporation will maintain time and effort logs.



Signature

Director of Finance

Title

3/23/16

Date

Westview School Corporation

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MICHELE GREWE, Curriculum Coordinator

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Corrective Action Plan

Contact Person: Brian Christner
Title: Director of Finance
Phone Number: 260-768-4404, ext 1003

Finding 2014-007

EARMARKING

Federal regulations require that schools reserve 1% of its grant allocation for parent involvement if the grant allocation is \$500,000 or above. This compliance requirement for Earmarking could not be verified because the School Corporation did not account for parent involvement separately within their ledger. Upon reviewing Title I expenditures, the School Corporation incurred costs for parental involvement family night activities that included food purchases of \$4,464 which are considered questioned costs.

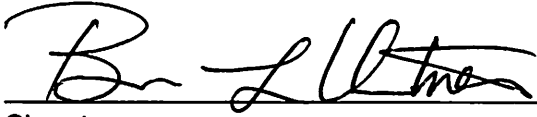
Views of Responsible Official: In the view of the Westview Director of Finance, the above finding is substantially correct. Better accounting records need to be maintained regarding parent involvement. However, Westview, does believe that the food spent for parent night is a justified and acceptable use of funds. The Westview Coordinator of Curriculum states that expenses incurred to cover the cost of food and beverages with federal funds must be reasonable, allowable, and necessary. At Westview School Corporation food and beverages are often deemed to be necessary for participation in evening parent involvement activities due to the large percentage of families involved who are Amish. Traveling to and from the school by horse and buggy often takes a considerable amount of time and often occurs following evening farm chores, thus not allowing time for an evening meal. Providing food greatly increases participation of families.

Anticipated Completion Date: April 1, 2016

Westview school corporation will maintain separate accounts in its ledger to document expenditures for parental involvement

TELEPHONE (260) 768-4404 - 1645 S 600 W - TOPEKA, IN 46571 - FAX (260) 768-4404 EMAIL: christnerb@westview.k12.in.us

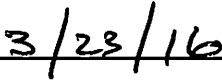
within its Title I programs. While Westview does believe that the expenditures made for food for the "parent night" activities are allowable and justified within its Title I program, Westview understands that these expenditures are being questioned by the State Board of Accounts in its Audit. In the future Westview will put these "parent night" food expenditures through the budget approval process at each beginning of the program year.



Signature



Title



Date

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Corrective Action Plan

Contact Person: Brian Christner
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Phone Number: 260-768-4404, ext 1003


Finding 2014-008 REPORTING

The School Corporation establishes separate line items within their accounting system for Title I funds in accordance with their approved Title I budgets. The Director of Finance prepares the reimbursement requests and final expenditure reports based on paid Title I expenditures which are reviewed by the Title I Director prior to submission to the Indiana Department of Education. The supporting documentation from the School Corporation's accounting system did not properly reflect the expenditure classifications reported on the reimbursement requests and final expenditure reports.

Views of Responsible Official: In the view of the Westview Director of Finance, the above finding is correct

Anticipated Completion Date: April 1, 2016

An example where this finding occurred is when our Title I budget health insurance benefits were projected at a lower level than actually experienced. In this case actual expenditures for benefits would end up being higher than the line item in the budget allowed for. The excess benefit was charged against the salary of the employee so that the full cost of the employment could be covered by the Title I program. To correct this finding when a line item is fully expended Westview officials will seek to amend its Title I program so that the actual expenditures reflect the budget in every line item.



Signature

Director of Finance

Title

3/23/16

Date

Westview School Corporation

DR RANDAL ZIMMERLY, Superintendent
MICHELE GREWE, Curriculum Coordinator

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Corrective Action Plan

Contact Person: Brian Christner
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Finding 2014-009

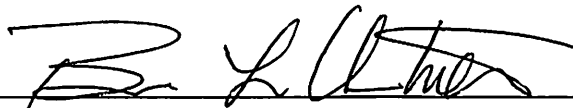
ALLOWABLE COSTS/COST PRINCIPALS

The School Corporation failed to maintain the necessary documentation relating to time and effort within its Federal program – Improving Teacher Quality. Time and effort logs should be maintained to help ensure that payments were properly allocated between federal and non-federal funds as required

Views of Responsible Official: In the view of the Westview, Director of Finance, the above finding is correct.

Anticipated Completion Date: April 1, 2016

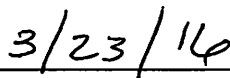
Westview School Corporation will maintain time and effort logs.



Signature



Title



Date

WESTVIEW SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

ANNUAL FINANCIAL REPORT

The Annual Report for period ended June 30, 2014, was not filed electronically until September 24, 2014, which was 26 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
Capital Projects	2013	\$ 214,078
School Bus Replacement	2013	10,430
School Bus Replacement	2014	5,465

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

RECEIPT ISSUANCE

Cafeteria receipts are deposited in the School Corporation's bank account by the next business day. The School Corporation issues and posts the cafeteria receipts at the month end instead of at the time of the transaction.

The source document for posting to the Ledger of Receipts is the duplicate receipt (carbon copy of Form Number 517). Each duplicate receipt is posted individually to the Ledger of Receipts and the "Balance" column used to accumulate the total receipts to date for that source or account number. The total of the receipts for each fund is posted to that fund account for each day's posting run. The total of all receipts written shall also be posted to the All Funds-Control account.

WESTVIEW SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

CURRICULAR MATERIALS RENTAL CHARGE

The School Corporation charged textbook rental fees that were set at 25 percent of the cost of each textbook. They used this rate for the first six years that the textbooks were used.

The School Corporation charges each student fees for the rental of textbooks and the purchase of various consumable items. Sufficient supporting documentation was not provided for audit to verify that the calculation of those fees for grades K-8 was in compliance with statutory requirements.

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 . . . 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."

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support, were incorrect for the school years ending June 30, 2013 and 2014.

The enrollment documents retained for the school years to support the enrollment counts taken in each September and February 2014, did not agree with the enrollment figures reported to the state. The difference between the count reported on the ADM and the verified figures are shown below:

Count Date	Grade	Count as Reported on Form Number 30A	Actual Enrollment Figures	Over (Under) Difference
September 2012	Total	2,289.0	2,284.0	(5.0)
September 2013	Total	2,223.5	2,215.5	(8.0)
February 2014	Total	2,210.0	2,220.0	10.0

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

WESTVIEW SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2016, with Brian Christner, Treasurer; Dr. Randall Zimmerly, Superintendent of Schools; and Gerald Lee, President of the School Board.