

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WHITLEY COUNTY CONSOLIDATED SCHOOLS
WHITLEY COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
05/05/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kirk Doerhmann (Vacant)	07-01-14 to 02-17-17 02-18-17 to 06-30-17
Superintendent of Schools	Dr. Patricia O'Connor	07-01-14 to 06-30-17
President of the School Board	Donald Armstrong	07-01-14 to 06-30-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WHITLEY COUNTY CONSOLIDATED
SCHOOLS, WHITLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Whitley County Consolidated Schools (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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 6, 2017

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS

FINDING 2016-001 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The SEFA presented for audit contained the following errors:

1. Child Nutrition Cluster non-cash federal assistance was not included in the proper manner, resulting in an understatement in the amount of \$112,193 for FY 14-15 and \$110,154 for FY 15-16.
2. The Child Nutrition Cluster federal expenditures were understated in the amount of \$808 for FY 15-16 due to improper accounting for the August 2015 Monthly INDOE CND-1 Reimbursement that incorrectly posted net of Commodity invoices due to INDOE.
3. Special Education Cluster (IDEA) was understated in the amount of \$226 for FY 14-15 for Grant 99914-020-PN01.
4. Disaster Grants - Public Assistance (Presidentially Declared Disasters) was not included resulting in an understatement in the amount of \$5,623 for FY 14-15.
5. Some grants contained incorrect Federal Program names.
6. The correct Local Program Name was not included.
7. The Award Numbers or the Local Fund Numbers were not included.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

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

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

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-002 - INTERNAL CONTROL OVER THE CHILD NUTRITION CLUSTER

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

Cash Management (School Breakfast Program and National School Lunch Program)

The School Corporation had not established a control to ensure that the food service balance was less than or equal to the average expenditures for three months.

Reporting

The Food Service Director prepared and submitted the Sponsor Claims, the School Food Authority (SFA) Verification Collection Reports, and the Annual Financial Report; however, there was no control in place to ensure that the reports were correct.

Context

Internal control issues were systemic, occurring throughout the audit period.

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management and Reporting compliance requirements.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-003 - ELIGIBILITY

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not established an effective control over the eligibility determination for Free and Reduced Price School Meals Applications. The Food Service Director was the sole person responsible for determining eligibility of applications filed.

The School Corporation had not established an effective control over the notification of households of the children's eligibility. There was no audit evidence available to test whether households who submitted Free and Reduced Price School Meals Applications were notified of the eligibility of their children.

Context

Internal control issues were systemic, occurring throughout the audit period.

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
 - (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
 - (ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

Management had not maintained a system of internal controls that segregated key functions.

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to maintain supporting documentation prevented the ability to identify if the School Corporation was in compliance with the Eligibility requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management maintain controls, including segregation of duties, related to the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2016-004 - PROGRAM INCOME

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement. There were no procedures established to ensure that the receipts of the Child Nutrition Cluster programs were handled properly in accordance with the Program Income compliance requirement.

The School Corporation established a single fund, the School Lunch fund, for all activity or the food service programs.

The School Corporation also maintained prepaid accounts for students. When prepaid funds were received, they were receipted with the program income into the School Lunch fund as revenue, with no distinction between the prepaid accounts and the program income generated from the food service programs.

Context

The School Corporation's procedures for recording revenues in the School Lunch fund prevented the ability to determine whether the School Corporation was in compliance with the Program Income requirement.

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR 200.302(b) states in part:

". . . (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit.

Effect

The failure to establish a system of internal controls that would have ensured that prepaid receipts and program income receipts were segregated and available for audit prevented the determination of the School Corporation's compliance with the Program Income requirement.

Questioned Costs

There were no questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls and procedures to ensure that prepaid receipts and program income receipts were segregated and available for audit.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

WHITLEY COUNTY CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-005 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): FY 14-15
Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure that noncompliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement would have been prevented, or detected and corrected.

Context

The School Corporation did not have policies or procedures in place to ensure Special Tests and Provisions - Paid Lunch Equity requirements were properly calculated and considered. The School Corporation did not retain its paid lunch equity calculations documentation for the 2014-2015 school year; therefore, the School Corporation was not in compliance with the Special Tests and Provisions - Paid Lunch Equity requirement.

Criteria

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); . . ."

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. . . ."

WHITLEY COUNTY CONSOLIDATED SCHOOLS
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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions or that ensured the maintenance of proper supporting documentation.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Dr. Patricia O'Connor
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-001 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Director of Business and Operations

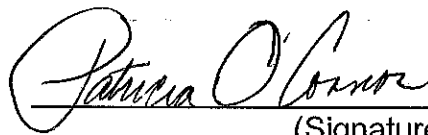
Contact Phone Number: 260-244-5771

Views of Responsible Official: School District concurs with the finding

Description of Corrective Action Plan: Treasurer and Deputy Treasurer will verify that all non-cash and cash federal assistance is entered and reported on SEFA correctly.

Communication with the Food Service Director and other school personnel involved with federal grants will occur to verify information is correct.

Anticipated Completion Date: Immediately



(Signature)

Superintendent

(Title)

March 1, 2017

(Date)

Dr. Patricia O'Connor
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Director of Business and Operations

Contact Phone Number: 260-244-5771

Views of Responsible Official:

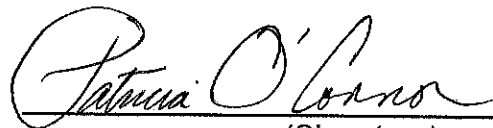
In response to Cash Management compliance, School District respects the finding, and recognizes that our balance exceeds three months operating expenses. However, the District endeavors to spend funds in an appropriate manner and to maintain meal prices in response to federal requirements while complying with pricing expectations.

In response to Reporting compliance, School District adopted internal control policies effective November 21, 2016. We understand the importance of proper internal controls and the need for effective implementation of these new policies. WCCS is undergoing a transition in our business office and will be hiring a new Director of Business of Operations. Once we have filled this position, our Director will oversee training of staff to ensure compliance with board policy.

Description of Corrective Action Plan:

WCCS Director of Business and Operations will develop plan for training and implementation of board adopted internal control policy. Completion of training and implementation of plan will occur prior to the beginning of the 2017/2018 school year

Anticipated Completion Date: Prior to the beginning of the 2017/2018 school year



(Signature)

Superintendent

(Title)

March 1, 2017

(Date)

CORRECTIVE ACTION PLAN

FINDING 2016-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Director of Business and Operations

Contact Phone Number: 260-244-5771

Views of Responsible Official:

In response to Eligibility compliance, School District believes that our past practices have been in alignment with this requirement, however due to personnel changes in the business office and food service implementation was not explained to auditors in sufficient detail.

Director of Food Service receives free/reduced applications and determines eligibility. At that time, one of three letters is sent to the parent: 1) Notice of Approval/Denial of Meal Benefits; 2) Food Stamp/TANF Eligible Notice of Direct Certification; or 3) Foster Children Notice of Direct Certification. The Deputy Treasurer audits a random sample of these applications (approximately 3%) as part of our internal controls. In addition, we will have a second party review and sign applications for documentation.

School District adopted internal control policies effective November 21, 2016. We understand the importance of proper internal controls and the need for effective implementation of these new policies. WCCS is undergoing a transition in our business office and will be hiring a new Director of Business of Operations. Once we have filled this position, our Director will oversee training of staff to ensure compliance with board policy

Description of Corrective Action Plan:

WCCS Director of Business and Operations will develop plan for training and implementation of Board adopted internal control policy. Completion of training and implementation of plan will occur prior to the beginning of the 2017/2018 school year.

Documentation of dates for notification letters will be maintained for Free/Reduced Price Meal Applications as evidence to indicate parents were informed of the status of their children.

Anticipated Completion Date: Immediately



(Signature)

Superintendent

(Title)

March 1, 2017

(Date)

Dr. Patricia O'Connor
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Director of Business and Operations

Contact Phone Number: 260-244-5771

Views of Responsible Official:

School Corporation concurs with this finding.

Description of Corrective Action Plan: Effective February 1, 2017, School Corporation established the proper funds to account for prepaid meals. Food Service Director will be attending IASBO training related to this issue on March 22, 2017 to ensure thorough understanding and implementation related to prepaid accounts and program income generated from the food service programs.

Anticipated Completion Date: Immediately



(Signature)

Superintendent

(Title)

March 1, 2017

(Date)

Dr. Patricia O'Connor
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Director of Business and Operations

Contact Phone Number: 260-244-5771

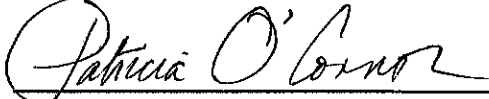
Views of Responsible Official:

School Corporation concurs with this finding.

Description of Corrective Action Plan: While Food Service Director does follow calculation procedures for pricing paid lunches, this documentation was not available for review by the auditors. Treasurer will ensure this information is accurate and is filed for review.

School District adopted internal control policies effective November 21, 2016. We understand the importance of proper internal controls and the need for effective implementation of these new policies. WCCS is undergoing a transition in our business office and will be hiring a new Director of Business of Operations. Once we have filled this position, our Director will oversee training of staff to ensure compliance with board policy.

Anticipated Completion Date: Prior to the beginning of the 2017/2018 school year



(Signature)

Superintendent

(Title)

March 1, 2017

(Date)

WHITLEY COUNTY CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER SUPPLEMENTARY INFORMATION

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient over the reliability of financial information presented in the Schedule of Leases and Debt and the Schedule of Capital Assets.

Although the Schedule of Leases and Debt and the Schedule of Capital Assets were presented for audit, each contained errors. The Schedule of Leases and Debt had a lease that was omitted from the schedule. An adjustment to the Schedule of Leases and Debt was proposed by the Indiana State Board of Accounts and accepted by the School Corporation. The list of capital assets presented for audit contained numerous over-valued assets and could not be relied upon. For example, one elementary building was valued at \$564,858,432. The Schedule of Capital Assets was removed by the School Corporation. A similar comment appeared in prior Report B44830.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

PREPAID FOOD CLEARING ACCOUNT

Prepaid Lunch Receipts were not recorded into a Prepaid Lunch fund, but were instead accounted for within the School Lunch fund. Additionally, the School Lunch fund was not maintained in a way that would allow determination of which receipts were related to prepaid amounts.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Administrator and Uniform Compliance Guidelines, Vol. 211)

WHITLEY COUNTY CONSOLIDATED SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2017, with Dr. Patricia O'Connor, Superintendent of Schools; Laura McDermott, Assistant Superintendent of Schools; and Donald Armstrong, President of the School Board.