

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
HAMILTON HEIGHTS SCHOOL CORPORATION
HAMILTON COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
06/26/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Caryn Provence	07-01-14 to 12-31-17
Superintendent of Schools	Dr. Derek Arrowood	01-01-14 to 06-30-20
President of the School Board	Rex McKinney Laura Reuter Rex McKinney Gwendalyn Hunter	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17



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TO: THE OFFICIALS OF THE HAMILTON HEIGHTS SCHOOL
CORPORATION, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Hamilton Heights School Corporation (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 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.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

April 26, 2017

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS

**FINDING 2016-001 - PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

Condition

The School Corporation had not fully established effective internal controls over the financial information entered into the Indiana Gateway for Government Units, which is a financial reporting system and the source of the Schedule of Expenditures of Federal Awards (SEFA). The SEFA was prepared by the School Corporation Treasurer and reviewed by the Business Manager prior to submission. Although a review process was in place, immaterial errors were identified on 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."

Cause

The review process established by Management of the School Corporation was not fully effective to ensure no errors on the SEFA occurred.

Effect

Without a fully effective internal control, material misstatements of the SEFA could have remained undetected.

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 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2015, FY2016
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 Equipment and Real Property Management compliance requirement.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation contracted with an outside vendor to develop an equipment and property listing for the cafeteria areas. However, the listing provided only contained the description of the property, a serial number or other identifying number, the location, and the use and condition of the property. It did not include other necessary information, such as the acquisition date, cost of the property, percentage of federal participation, and any property that had been disposed of or sold.

Context

The lack of controls was a systemic problem during the period audited and the equipment and property listing did not contain all of the required information to be in compliance with the compliance requirement.

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 3016.32 states in part:

". . . (b) . . . Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . ."

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

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

2 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . ."

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Equipment and Real Property Management compliance requirement. Management did not realize that the property listing prepared by an outside vendor did not include all the necessary information.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Equipment and Real Property compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above.

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 - REPORTING

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): FY2015, FY2016

Pass-Through Entity: Indiana Department of Education

Condition

The School Food Authority (SFA) Verification Collection Report (Report) was prepared and submitted by the Food Service Director without oversight, approval, or other internal control process to ensure the accuracy of the report.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

There was no control in place to ensure the accuracy of the two Reports required to be submitted during 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 established a control to ensure the accuracy of the Report.

Effect

The failure to establish an effective internal control placed the School Corporation at risk of not submitting an accurate Report.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a control to ensure the accuracy of the Report.

Views of Responsible Officials

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

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004 - ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-3025, 15-3025, 16-3025
Pass-Through Entity: Indiana Department of Education

Condition

A Title I teacher was paid a performance bonus out of the General fund; however, the taxes and benefits related to the performance bonus amount were charged to the Title I fund. In addition, after an instructional assistant resigned from a Title I position to become a long-term substitute teacher, her taxes and benefits were still charged to the Title I fund while her salary was transferred to the General fund. The School Corporation's internal control system was not effective to catch this type of error.

Context

These were isolated instances.

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's system of internal controls were not effective to ensure that taxes and benefits were paid out of the proper fund when bonuses were paid or an employee changed positions.

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 requirement.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above to ensure taxes and benefits were charged to the proper fund.

Views of Responsible Officials

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

FINDING 2016-005 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-3025, 15-3025

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 Allowable Costs/Cost Principles compliance requirement.

In addition to Title I funds, 5 to 6 percent of the Title I Instructional Assistants' salaries were being paid using monies from the School Transportation fund. Personnel Activity Reports were not maintained for any of the Title I instructional assistants to support the distribution of their salaries between the two funds.

Context

The lack of controls and Personnel Activity Reports were a systemic problem during the period audited.

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. . . ."

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, section 8h(4) states:

"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."

Cause

Management had not established controls, nor were they aware of the requirement for employees working on more than one cost objective to complete Personnel Activity Reports.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management be cognizant of the compliance requirement listed above and to establish controls related to the grant agreement and the 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 2016-006 - LEVEL OF EFFORT

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-3025, 15-3025, 16-3025

Pass-Through Entity: Indiana Department of Education

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 Level of Effort compliance requirement. Management of the School Corporation was not aware of the Level of Effort compliance requirement.

Context

Even though the School Corporation did maintain the proper level of effort, the lack of controls was a systemic problem during 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 to ensure compliance with the Level of Effort compliance requirement.

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 requirement.

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 compliance requirement listed above.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-007 - ALLOWABLE COSTS/COST PRINCIPLES

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation was a member school of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). During 2015-2016, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member schools. There was no oversight of the Cooperative by the School Corporation. Because the grant agreements are between IDOE and each member school of the Cooperative, each member school is ultimately responsible for ensuring compliance with the requirements.

For grants 14214-025-PN01, 14215-025-PN01, and 45715-025-PN01, the Semi-Annual Certifications were maintained; however, they were not certified by the employee or an appropriate supervisor. There were no Personnel Activity Reports maintained for employees who were expected to work on multiple cost objectives.

For grants 14216-023-PN01 and 45716-023-PN01, the fiscal agent was not able to provide records that would support the activities performed by the employees whose salaries were charged to the grant.

Context

Of the three Semi-Annual Certifications required to be maintained during the period for all employees whose salaries were charged entirely to the program, none were certified by an appropriate supervisor. In addition, there were six employees who worked on multiple activities, but no Personnel Activity Reports were maintained for those employees. There was no supporting documentation for activities performed by employees for two grants.

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. . . ."

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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). . . ."

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

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (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. . . ."

2 CFR 200.430(h)(8)(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; . . .
- (ii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

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 Allowable Costs/Cost Principles compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

FINDING 2016-008 - CASH MANAGEMENT

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation was a member school of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). During 2015-2016, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation. There was no oversight of the Cooperative by the School Corporation. Because the grant agreements are between IDOE and each member school of the Cooperative, each member school is ultimately responsible for ensuring compliance with the requirements.

The Requests for Reimbursement were reviewed by the Cooperative Director; however, the Requests for Reimbursement contained claims that had been incurred but not paid.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

Of the five Requests for Reimbursements tested, all of them contained expenditures that were incurred but not yet paid.

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). . . ."

34 CFR 80.21(d) states in part: "Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

2 CFR 200.305(b)(3) states in part: "Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

Cause

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Cash Management compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Due to the noncompliance described above, this resulted in \$12,966.14 worth of expenditures being requested for reimbursement prior to being paid from the sample selected for testing.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties related to the grant agreement and Cash Management compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

FINDING 2016-009 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation was a member school of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation. There was no oversight of the Cooperative by the School Corporation. Because the grant agreements are between IDOE and each member school of the Cooperative, each member school is ultimately responsible for ensuring compliance with the requirements.

The equipment inventory (property) listing did not contain all the required information.

Context

The equipment inventory (property) listing did not contain the acquisition cost for any of the equipment listed.

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

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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). . . ."

34 CFR 80.32 states in part:

". . . (b) *States*. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . .

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

2 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . .

(d) *Management requirements*. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

Management of the School Corporation had not designed and implemented internal control procedures to ensure compliance with the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation management establish controls, including segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

FINDING 2016-010 - REPORTING

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01, 45714-025-PN01,
45715-025-PN01, 45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Condition

The School Corporation was a member school of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The fiscal agent of the Cooperative submitted the proper reports on behalf of the School Corporation. There was no oversight of the Cooperative by the School Corporation. Because the grant agreements are between IDOE and each member school of the Cooperative, each member school is ultimately responsible for ensuring compliance with the requirements.

The Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares were reviewed by the Cooperative Director; however, the Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares reports contained amounts that had been incurred but had not been paid. The Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares reports were submitted without any review, approval, or other control to ensure its accuracy.

Context

This was a systemic problem. The Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares reports contained claims that had been incurred but not yet paid.

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. . . ."

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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). . . ."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meeting 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, outlays or expenditures, and income. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.
- (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. . . ."

Cause

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Reporting compliance requirement.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation management establish controls, including segregation of duties, related to the grant agreement and Reporting compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: (317)984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding included internal control review procedures and audit adjustments proposed and made to the SEFA by the State Board of Accounts auditors.

While the SEFA was prepared by the Corporation Treasurer and reviewed by the Business Manager, there were still errors noted on the SEFA. The responsible officials understand the errors that were made and know how to prevent them in the future. There will continue to be a segregation of duties with preparation and review done by different individuals prior to submission.

Anticipated Completion Date: April 18, 2017

Caryn Provence
(Signature)

Treasurer
(Title)

4/24/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: (317)984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding included internal control review of equipment and property listing for the cafeteria areas, which lacked all required information.

Management will work with our contracted vendor to ensure all required information is included on the equipment and property listing going forward.

Anticipated Completion Date: June 30, 2017

Caryn Provence
(Signature)

Treasurer
(Title)

4/24/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: (317)984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding included lack of internal control review to ensure accuracy of Verification Summary Reports for the School Breakfast and Lunch Programs.

Management has discussed with Food Service Director and a review will be conducted by another Food Service employee or Corporation Treasurer/Business Manager to ensure accuracy.

Anticipated Completion Date: April 21, 2017

Caryn Provence
(Signature)

Treasurer
(Title)

4/24/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: (317)984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding included lack of internal control review which resulted in an immaterial error of benefits and FICA incorrectly being paid out of the Title I grant.

Management has made changes to the benefit claims to clearly identify which employee's benefits are being paid from federal funds, making it easier to identify potential errors. We are also now aware of a payroll systemic issue and will correct the setup in our payroll software to avoid the error from occurring in the future.

Anticipated Completion Date: April 18, 2017

Caryn Provence
(Signature)

Treasurer
(Title)

4/24/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: (317)984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding included lack of internal control in that necessary personnel were not completing a time and effort log for their time spent in Title I and Transportation duties.

Management was made aware of the absence of time and effort logs for necessary staff in the fall of 2016. At that time, management notified the necessary staff of the requirement and the time and effort logs have been completed from that point forward.

Anticipated Completion Date: Fall of 2016

Caryn Provence
(Signature)

Treasurer
(Title)

4/24/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Caryn Provence
Contact Phone Number: (317)984-3538

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This finding involved the absence of a level of effort calculation for Title I.

Management is now aware of this requirement at the LEA level. The Corporation Treasurer will calculate the level of effort annually, and the Business Manager will review the calculation.

Anticipated Completion Date: April 18, 2017

Caryn Provence
(Signature)

Treasurer
(Title)

4/24/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2016-007 – ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Robin Phelps
Contact Phone Number: 317-773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Semi-annual reports will be maintained for all staff members who are paid fully from one of the grants and Personnel Activity Reports will be maintained each month for each staff member paid from more than one fund.

Anticipated Completion Date: April 25, 2017



CORRECTIVE ACTION PLAN

FINDING 2016-008 – CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Robin Phelps
Contact Phone Number: 317-773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In the future, reimbursements will only be requested for expenditures on a cash basis rather than an accrual basis.

Anticipated Completion Date: April 25, 2017



CORRECTIVE ACTION PLAN

FINDING 2016-009 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Contact Person Responsible for Corrective Action: Robin Phelps
Contact Phone Number: 317-773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In the future, the equipment inventory will be kept with all of the appropriate information including acquisition cost, disposal date, and sale price of property if sold.

Anticipated Completion Date: April 25, 2017



CORRECTIVE ACTION PLAN

FINDING 2016-010 – REPORTING

Contact Person Responsible for Corrective Action: Robin Phelps
Contact Phone Number: 317-773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The quarterly monitoring reports will reflect expenditures on a cash basis rather than an accrual basis. In addition the non-public quarterly reports and the final grant reports will be reviewed by the Governing Board made up of representative from each district served by Hamilton-Boone-Madison Special Services Cooperative.

Anticipated Completion Date: April 25, 2017



HAMILTON HEIGHTS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 26, 2016, with Caryn Provence, Treasurer; Kristin McCarty, Business Manager; Dr. Derek Arrowood, Superintendent of Schools; and Laura Reuter, School Board member.