

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
BENTON COMMUNITY SCHOOL CORPORATION
BENTON COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
09/15/2017

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Director of Finance | Tracy Albertson | 07-01-13 to 06-30-18 |
| Superintendent of Schools | Destin Haas (Vacant) Gregg H. Hoover | 07-01-13 to 10-25-13 10-26-13 to 10-28-13 10-29-13 to 06-30-18 |
| President of the School Board | Michael Souligne Gabe Widmer | 07-01-13 to 12-31-14 01-01-15 to 12-31-17 |



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TO: THE OFFICIALS OF THE BENTON COMMUNITY SCHOOL
CORPORATION, BENTON COUNTY, INDIANA

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

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

July 27, 2017

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat of finding number 2013-1 from the immediate prior audit year.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to receipts. There were no controls to ensure that state and local tax distributions were accurately receipted and recorded.
2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.

Context

The lack of adequate internal controls and lack of monitoring of controls were systemic issues, which occurred throughout the audit period.

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. . . .

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control related to receipts and had not established a system to monitor and improve controls.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to receipts and establish a system to ensure that controls are monitored and evaluated periodically.

Views of Responsible Officials

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

FINDING 2015-002

Subject: Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of finding number 2013-2 from the immediate prior audit year.

Condition

The School Corporation had not 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 for the Schedule of Expenditures of Federal Awards (SEFA).

Due to the lack of controls, the SEFA contained the following material errors:

1. The National School Lunch Program expenditures were understated by \$117,813 and \$156,846 for the years ended June 30, 2014 and 2015, respectively.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2. The Special Education_Grants to States expenditures were understated by \$495,787 for the year ended June 30, 2014.

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

Context

The lack of controls and errors on the SEFA were systemic issues. The SEFA contained errors in both years of the audit period.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . .

- Accurate and timely recording of transactions. . . ."

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 § _____.310. . . ."

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

"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:

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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.
... "

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*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure proper reporting of the SEFA.

Views of Responsible Officials

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

FINDING 2015-003

Subject: Internal Controls over Child Nutrition Cluster
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Program Income, Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat of finding number 2013-4 from the immediate prior audit year.

BENTON COMMUNITY 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 following compliance requirements: Eligibility, Program Income, and Reporting.

Eligibility

There were no controls in place to ensure that the eligibility determinations for free and reduced price meals were accurate. One employee processed the applications for free and reduced price meals, which included determining eligibility, without oversight or review or other compensating control.

Program Income

There were no controls in place to ensure that program income was properly recorded. The same employee made the deposits and recorded program income without oversight, review or approval, or other compensating control.

Reporting

There were no controls in place to ensure that required reports were complete and accurate prior to submission. One employee prepared and submitted the Annual Financial Reports and the monthly Sponsor Claim (claims for reimbursement) without oversight, review or approval, or other compensating control.

Context

The lack of controls was a systemic problem which occurred 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. . . ."

Cause

The School Corporation had not developed a system of internal controls that segregated key functions.

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.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 requirements 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 2015-004

Subject: Child Nutrition Cluster - Cash 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): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

The internal control issues are a partial repeat of finding number 2014-4 from the immediate prior audit year.

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 Cash Management compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances were limited to the three months average expenditures in accordance with the Cash Management compliance requirement.

Context

The lack of controls and the noncompliance were systemic issues. The lack of properly designed or implemented controls allowed noncompliance with the Cash Management compliance requirement for all 24 months of the audit period. The School Lunch fund average expenditures for 3 months in FY2014 and FY2015 were \$291,272 and \$266,027, respectively. The School Lunch fund average cash balances in FY2014 and FY2015 were \$576,112 and \$515,214, respectively.

BENTON COMMUNITY SCHOOL CORPORATION
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. . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency . . ."

Cause

The School Corporation had not established an effective internal control structure that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement 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 to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-005

Subject: Child Nutrition Cluster - 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): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

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.

The School Corporation failed to comply with the requirement that 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.

The School Corporation did not properly record equipment purchased during the audit period.

Context

The lack of controls and the noncompliance were systemic issues which occurred throughout the audit period. Two of the four equipment purchases tested were not properly recorded.

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. . . ."

7 CFR 3016.32(d) states in part:

"*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:

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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. . . ."

Cause

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement 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 to ensure compliance and comply with the Equipment and Real Property Management 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 2015-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

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 suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not have procedures in place to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not perform a verification, obtain certifications, or add a clause to contracts to ensure that the vendors were not suspended or debarred.

Context

The lack of controls and the noncompliance were systemic issues. There were no procedures in place to ensure compliance with any transactions subject to the suspension and debarment requirements of the Procurement and Suspension and Debarment 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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement 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 to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

BENTON COMMUNITY 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 2015-007

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14213-051-PN01, 14214-051-PN01,
14215-051-PN01, 99914-051-TA01,
A58-3-13DL-1484, 45713-051-PN01,
45714-051-PN01, 45715-051-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding from the immediate prior year.

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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with procurement requirements. The Special Education Cooperative's Director of Special Education contracted with Occupational Therapists without oversight or approval or other compensating control from the School Corporation's governing board.

Suspension and Debarment

The School Corporation did not have procedures in place to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not perform a verification, obtain certifications, or add a clause to contracts to ensure that the vendors were not suspended or debarred.

Context

The lack of controls and the noncompliance were systemic issues. The School Corporation lacked internal controls throughout the audit period. They also did not comply with the suspension and debarment requirements for both years of the audit period.

BENTON COMMUNITY SCHOOL CORPORATION
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 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement or the compliance requirement 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 establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-008

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027 and 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-051-PN01, 14214-051-PN01,
14215-051-PN01, 99914-051-TA01,
A58-3-13DL-1484, 45713-051-PN01,
45714-051-PN01, 45715-051-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Repeat Finding

This is not a repeat finding from the immediate prior year.

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 Reporting compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required reports were completed accurately. There were no controls to ensure that the Final Expenditure Reports were accurate prior to submission.

Context

The lack of controls was a systemic problem which occurred 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. . . ."

Cause

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

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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 Reporting 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 2015-009

Subject: Internal Controls over Title I Grants to Local Educational Agencies

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 2012-2013, 2013-2014, 2014-2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management and Reporting

Audit Finding: Material Weakness

Repeat Finding

This is not a repeat finding from the immediate prior year.

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 Cash Management and Reporting compliance requirements.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Cash Management requirement. The Treasurer prepared a monthly reimbursement request with supporting expenditure documentation. There was no evidence that adequate oversight or review of the supporting documentation or other compensating control had occurred prior to submission of the reimbursement request.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required reports were completed accurately. There was no evidence of adequate oversight or review or other compensating control of the monthly Request for Reimbursement reports or the annual Final Expenditure Reports prior to submission.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic problem which occurred 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. . . ."

Cause

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

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 program.

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 2015-010

Subject: Title I Grants to Local Educational Agencies - Eligibility

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): 2012-2013, 2013-2014, 2014-2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Other Matters

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is not a repeat finding from the immediate prior year.

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 Eligibility compliance requirement.

Eligibility - Individuals

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all students eligible for Title I services were accounted for on the selection list completed at each Elementary School and submitted to the Title I Director. There was no segregation of duties, such as an oversight, review, or approval process or other compensating control.

Eligibility - Group or Service Area

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required supporting documentation existed to verify that the eligibility of children (students) attending the participating nonprofit private school was correct.

The School Corporation did not determine poverty levels of nonpublic school students for eligibility determination.

Context

The lack of controls and the noncompliance were systemic problems which occurred 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. . . ."

34 CFR 200.78(a)(1) states in part:

"An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school. . . ."

Cause

The School Corporation had not established an effective internal control structure which would have ensured compliance with the Eligibility compliance requirement.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management establish controls to ensure compliance and comply with 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.



CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Lack of Segregation of Duties:

Currently the Director of Finance enters the state and local distributions and performs the bank reconciliation. The Bank Reconciliation is then reviewed by the Corporation Secretary.

Description of Corrective Action Plan:

The Corporation Secretary will initial/review the Receipt Edit that is included with the Bank Reconciliation.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: July 31, 2017

Views of Responsible Official:

Monitoring of Controls:

Description of Corrective Action Plan:

The school corporation will review the office procedures to monitor and assess the quality of the system of internal controls.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: September 30, 2017


(Signature)

Director of Finance
(Title)

July 27, 2017
(Date)



Benton Community School Corporation

"United, Student-Centered School Corporation"

405 S Grant Avenue • PO Box 512 • Fowler, IN 47944 • ph 765.884.0850 • fax 765.884.1614 • www.benton.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2015-002


Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Description of Corrective Action Plan:

The SEFA report will be reviewed by the Superintendent upon submission.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: July 31, 2017


(Signature)

Director of Finance
(Title)

July 27, 2017
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Eligibility

Description of Corrective Action Plan:

The school corporation will analyze and determine whether the determination of eligibility could be assigned to another staff member so that the Food Service Director would be reviewing the eligibility determinations and not performing both tasks.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: September 30, 2017

Views of Responsible Official:

Program Income

Currently the Director of Finance enters all receipts made by the Cafeteria Managers but no check is made to verify those receipts back to Harmony.

Description of Corrective Action Plan:

The Director of Finance will institute procedures of verifying deposits made by the cafeteria managers to payments posted to students accounts. The corporation will establish a student prepaid lunch clearing account. We will establish procedures to approve the transfers from the clearing account to the school lunch fund.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a

stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: August 31, 2017

Reporting

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Description of Corrective Action Plan:

The Superintendent and/or Director of Finance will review reports of the school lunch program.

Anticipated Completion Date: July 27, 2017



(Signature)

Director of Finance

(Title)

July 27, 2017

(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp
Contact Phone Number: 765-884-0850

Views of Responsible Official:

The school corporation and Food Service Director will review the policies and procedures on an annual basis.

Description of Corrective Action Plan:

The Food Service Director will prepare the three month rolling average of expenditures and compare that amount with the end of the month balance of the School Lunch Fund. The Director of Finance will review the three month's average expenditures in compliance with Cash Management requirements.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: July 31, 2017


(Signature)

Director of Finance
(Title)

July 27, 2017
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Description of Corrective Action Plan:

The school corporation will print out and review the fixed asset report semi-annually.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: July 31, 2017


(Signature)

Director of Finance
(Title)

July 27, 2017
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson and Lynda Stepp
Contact Phone Number: 765-884-0850

Description of Corrective Action Plan:

The Food Service Director will send the certification form with all bid packets for Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion. The SAM Exclusion website will also be viewed as needed and a printout retained for documentation.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: July 31, 2017


(Signature)

Director of Finance
(Title)

July 27, 2017
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-007

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Patti Kem – Director of Special Education, Cooperative School Services
Contact Phone Number: 219-866-8540

Description of Corrective Action Plan:

In order to be in compliance with OMB Circular A-133, Subpart C, Section .300 regarding Suspension and Debarment requirements the School Corporation/Special Education Cooperative will:

- A) Check SAM exclusions by checking the website (sam.gov) to verify status or
- B) Collect a certification form from that persons or contractor

prior to entering into any contractual agreement. Documentation of the above actions will be maintained at the CSS offices and BCSC offices.

Anticipated Completion Date: July 31, 2017



(Signature)

Director of Finance

(Title)

July 27, 2017

(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-008

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Patti Kem – Director of Special Education, Cooperative School Services
Contact Phone Number: 219-866-8540

Description of Corrective Action Plan:

In order to be in compliance with OMB Circular A-133, Subpart C, Section .300 regarding reporting and internal control requirements the School Corporation/Special Education Cooperative will prepare the final reports for federal grants and document the review of the final report with signatures from:

- A) Director of Special Education and
- B) Treasurer of School Corporation serving as fiscal agent

prior to submission of the Department of Education. Copies of the grant reports are provided to each participating school corporation. Documentation of the above actions will be maintained at both the BSC and CSS offices.

Anticipated Completion Date: July 31, 2017



(Signature)

Director of Finance

(Title)

July 27, 2017

(Date)

CORRECTIVE ACTION PLAN

FINDING 2015-009

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Title I went to electronic submission of reports and reimbursement requests several years ago. The Director of Finance submits the reports and signs electronically. The Superintendent receives an email as the approver of these requests and reports.

Description of Corrective Action Plan:

The Director of Finance will print screen the requests and reports and the Superintendent will initial the reports and requests.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: July 31, 2017



(Signature)

Director of Finance

(Title)

July 27, 2017

(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-010

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Description of Corrective Action Plan:

The school corporation will review and implement procedures for verifying eligibility for all students including those at nonprofit private schools.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: July 31, 2017



(Signature)

Director of Finance

(Title)

July 27, 2017

(Date)

BENTON COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID LUNCH ACCOUNT RECONCILIATIONS

The School Corporation had not established a prepaid school lunch clearing account. This account is necessary in order to maintain a control of the prepaid student lunch account balances. Subsidiary records of student lunch account balances should be reconciled to the control account monthly.

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. (School Bulletin and Uniform Compliance Guidelines, Volume 211)

BENTON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 27, 2017, with Gregg H. Hoover, Superintendent of Schools; Tracy Albertson, Director of Finance; and Gabe Widmer, President of the School Board.