

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NORTH HARRISON COMMUNITY
SCHOOL CORPORATION
HARRISON 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>
Treasurer	Jo Ann Burson	07-01-13 to 06-30-18
Superintendent of Schools	D. John Thomas Dr. Lance Richards (acting) Dr. Lance Richards	07-01-13 to 05-11-17 05-12-17 to 07-11-17 07-12-17 to 06-30-20
President of the School Board	Veronica Battista	01-01-13 to 12-31-17



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TO: THE OFFICIALS OF THE NORTH HARRISON COMMUNITY
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

This report is supplemental to our audit report of the North Harrison 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 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

August 10, 2017

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

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

Repeat Finding

This is a repeat finding from the immediate prior report. The prior report finding number was 2013-001.

Condition

The School Corporation did not have an effective system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer prepared the SEFA, but no evidence was presented that indicated there was oversight, review, approval or other compensating controls in place to verify the accuracy of the information and amounts.

Context

The SEFA contained the following errors:

1. The School Breakfast Program and National School Lunch Program were omitted, which resulted in understatements in reported amounts of \$655,288 and \$683,220 for the years ended June 30, 2014 and 2015, respectively.
2. The Special Education_Grants to States and Special Education_Preschool Grants were omitted, which resulted in understatements in reported amounts of \$510,862 and \$542,703 for the years ended June 30, 2014 and June 30, 2015, respectively.
3. Some grants did not have the correct program names.

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

Criteria

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

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

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

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

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

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

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 *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

NORTH HARRISON 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 2015-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior report. The prior report finding number was 2013-002.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to the collection and recording of some receipts.

Context

1. The School Lunch fund and Textbook Rental fund were maintained on the extracurricular records. Financial activity of the School Lunch fund was compiled by the Extracurricular Treasurer and submitted to the School Corporation administration for inclusion in the School Corporation's financial statement. No one reviewed the School Lunch fund and Textbook Rental fund financial activity prepared by the Extracurricular Treasurer prior to submission to the administration to verify its accuracy.
2. The School Corporation had not separated incompatible activities related to School Lunch fund receipts. The Extracurricular Treasurer was responsible for verifying collections with the daily register reports, issuing receipts, recording receipts, preparing deposit ticket, making bank deposits, and performing bank reconcilements.

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. . . .

NORTH HARRISON 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. . . ."

Cause

Management of the School Corporation had not established a system of internal control that would have ensured proper reporting of financial transactions and receipts.

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls to sufficiently separate incompatible activities related to the collection and recording of receipts.

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: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013/2014, FY 2014/2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. No controls were in place to ensure compliance with time and effort reporting requirements; therefore, none of the required reports were completed.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

No Semi-Annual Certifications or Personnel Activity Reports were completed for any employees whose costs were charged to the School Breakfast Program and the National School Lunch Program. In most instances employees worked on only one cost objective or maintained separate time cards documenting allocation of time on other cost objectives. However, there was one employee who had no documentation to support the amount of time spent on the breakfast and lunch program in relationship to the costs charged. This was a systemic problem for the entire 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. . . ."

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 or 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. There 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 that standards in subsection (5) unless a statistical sampling system or other substitute system have 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

The School Corporation did not have a system in place that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 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): FY 2013/2014, FY 2014/2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement.

The School Corporation failed to comply with the Cash Management compliance requirement that they limit their Net Cash Resources in the School Lunch fund to an amount that does not exceed three months average expenditures for its nonprofit school food service program.

Context

The School Lunch fund Net Cash Resources at June 30, 2014, was \$680,844, whereas the three months average expenditures during the 2013-2014 school year were \$300,563. At June 30, 2015, the School Lunch fund Net Cash Resources was \$695,579, whereas the three months average expenditures during the 2014-2015 school year were \$336, 092. This was a systemic problem for the entire 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. . . ."

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 the participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resources 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

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the Cash Management compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 2015-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013/2014, FY 2014/2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not have procedures in place to determine if vendors had been suspended or debarred from participating in federal programs.

Context

Management was not aware of the requirement and no controls were in place to ensure that vendors from which bread and dairy products were purchased had not been suspended or debarred. This was a systemic problem for the entire 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 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 was not aware of the program requirements regarding the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management 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 2015-006

Subject: Child Nutrition Cluster - 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): FY 2013/2014, FY 2014/2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the Reporting compliance requirement. The Annual Financial Reports (AFR) filed by the School Corporation for the school year 2014-2015 did not agree with the School Corporation's financial records.

Context

The School Corporation is required to file reports with the Indiana Department of Education on an intermittent basis for various program requirements. The AFR for the food services programs is such that it requires an annual filing depicting accurate related sales and expenditures for the program during the school year.

The School Corporation had not designed or implemented adequate policies or procedures to ensure the AFR was accurate. The reports were not reviewed to ensure that they were accurate and in compliance with the Reporting requirements. An oversight, review, approval process, or other compensating control had not been established. One individual prepared and submitted reports without oversight, review, or other compensating control of the reports prior to submission.

The School Lunch fund receipts were overstated by the prepaid meal receipts. Other income receipts were reduced by this overstatement so that the ending fund balances would be correct.

NORTH HARRISON 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 3016.20(b)(1) states: "*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."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 2015-007

Subject: Child Nutrition Cluster - Eligibility and Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)

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): FY 2013/2014, FY 2014/2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and requirements for Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Context

The person that entered student application data into the computer system also determined student eligibility. The person responsible for completing the eligibility verification was the same individual who performed the initial eligibility determination. There was no other review, approval, or other compensating control in place to determine accuracy. This was a systemic problem for the entire 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 of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the requirements for the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the compliance requirements.

Views of Responsible Officials

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-008

Subject: Title I Grants to Local Educational Agencies - 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): 13-3180, 14-3180, 15-3180
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

Management of the School Corporation had not established and effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The Title I Director was preparing the Semi-Annual Certifications with no other review, approval, or other compensating control to verify their accuracy. Personnel Activity Reports were not properly completed for an employee working on more than one cost objective.

Context

The Semi-Annual Certifications were completed by the Title I Director; however, there was no documentation on file completed by the employees certifying that all the time worked was related to the federal program.

An employee whose salary was charged to the Title I program for working as a class room assistant, also works as a bus driver for the School Corporation. A Semi-Annual Certification was completed for this individual instead of a Personnel Activity Report.

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. . . ."

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 or 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. There 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.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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 that standards in subsection (5) unless a statistical sampling system or other substitute system have 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 of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the requirements pertaining to Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 2015-009

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

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): 13-3180, 14-3180, 15-3180

Pass-through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card,
High School Graduation Rate

Audit Findings: Material Weakness, Other Matters

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. For students who were removed from the graduation cohort, proper supporting documentation was not maintained for all students.

Context

Of the 21 students tested for being removed from the cohort for the 2013-2014 and 2014-2015 school years, 5 of those students did not have sufficient documentation provided to support their removal.

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 200.19(b)(ii)(B) states:

"To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, immigrated to another country, or is deceased.

- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.
- (2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the requirements pertaining to Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 2015-010

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

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): 13-3180, 14-3180, 15-3180

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

Audit Finding: Material Weakness

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the requirements for the Special Tests and Provisions related to comparability and highly qualified teachers and paraprofessionals.

Context

Special Tests and Provisions - Comparability

The School Corporation had not designed or implemented adequate policies and procedures that would have ensured that comparability information was properly reported. The comparability report was completed by one individual without any review, approval, or other compensating control to ensure accuracy prior to the report being submitted. This was a systemic problem for the entire audit period.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation had not designed or implemented adequate policies and procedures that would have ensured that paraprofessionals involved with the Title I program were highly qualified. No controls could be tested to determine that someone was verifying that paraprofessionals had met the highly qualified requirements.

NORTH HARRISON 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. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and Special Tests and Provisions compliance requirements related to comparability and highly qualified teachers and paraprofessionals.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the 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 2015-011

Subject: Special Education Cluster (IDEA) - 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): 14212-028-PN01, 14213-028-PN01,
14214-028-PN01, 14215-028-PN01,
9914-028-TA01, 45714-028-PN01,
45715-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not have proper controls in place over salaries and benefits paid from the federal programs. Salaries and benefits were approved by the School Board for each payroll based on total wages for all School Corporation employees for each pay period. No detail was presented that would identify the particular program employee's salary and benefits were being charged to, so that a determination could be made that costs charged were for an employee who actually performed work for the grant program. There were no controls in place to ensure that only program employees were being paid from the federal programs.

Although time records were prepared by employees working on the federal programs during the audit period, the control in place to have the Director approve those records was not effective.

Context

The lack of controls was a systemic problem for the entire audit period. There were no documented controls over salaries and benefits charged to the grant programs.

Personnel Activity Reports (PARs) were being prepared by all employees working on the Federal programs starting with school fiscal year 2014-2015; however, they were not approved by the Director. The Semi-Annual Certifications were no longer being prepared and signed by the Director and the PARs were not being reviewed and approved by the Director.

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. . . ."

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 or 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. There 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 that standards in subsection (5) unless a statistical sampling system or other substitute system have 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,

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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.
- (5) Personnel activity reports or equivalent documentation must meet the following standards:
- (a) They must reflect an after the fact distribution of the actual activity of each employee,
 - (b) They must account for the total activity for which each employee is compensated,
 - (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - (d) They must be signed by the employee. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the requirements pertaining to the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
 FEDERAL FINDINGS
 (Continued)

FINDING 2015-012

Subject: Special Education Cluster (IDEA) - Reporting
 Federal Agency: Department of Education
 Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
 CFDA Numbers: 84.173, 84.027
 Federal Award Numbers and Years (or Other Identifying Numbers): 14212-028-PN01, 14213-028-PN01,
 14214-028-PN01, 14215-028-PN01,
 45715-028-PN01

Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Reporting
 Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. There were no controls in place to verify that backup documentation per the financial ledger attached to the Final Expenditure Reports matched what was submitted.

The Final Expenditure Reports submitted did not agree with the underlying accounting financial ledger reports for the grant funds. Expenditures were recorded to the financial records in excess of the grant award budget amounts. As a result of overspending the grant award amounts, the grant funds had deficit balances. Management resolved the deficits in the grant funds by transferring monies from local sources.

Context

Five of the eight Final Expenditure Reports tested, which accounts for all that were submitted during the audit period, did not match the School Corporation's expenditure reports that were attached as supporting documentation. The following differences existed between the amounts reported on the Final Expenditure Reports and the total expenditures for the fund per the ledger reports:

Fund Number	Grant Number	Grant Award Amount	Final Expenditure Report Amount	Total Grant Expenditure per Ledger	Difference
5201	14212-028-PN01	\$ 1,379,287	\$ 1,379,287	\$ 1,490,358	\$ (111,071)
5209	14213-028-PN01	1,389,959	1,389,959	2,202,010	(812,051)
5202	14214-028-PN01	1,355,436	1,355,436	1,381,603	(26,167)
5203	14215-028-PN01	1,355,867	1,355,867	1,450,902	(95,035)
5403	45715-028-PN01	35,879	35,879	39,068	(3,189)

NORTH HARRISON 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. . . ."

34 CFR 80.20(b)(1) states: "*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."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the requirements for the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 2015-013

Subject: Special Education Cluster (IDEA) - Period of Availability of Federal Funds

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): 14212-028-PN01, 14213-028-PN01,
14214-028-PN01, 14215-028-PN01,
9914-028-TA01, 45714-028-PN01,
45715-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Availability of Federal Funds

Audit Finding: Material Weakness

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Period of Availability of Federal Funds compliance requirement. The School Corporation did not have proper controls in place over salaries, employee benefits, and adjustment transactions recorded to the federal programs to ensure the activity occurred within the period of availability.

Context

This was a systemic problem throughout the entire audit period. Payroll transactions and related benefits were not reviewed in detail to verify that transactions recorded to the ledger were within the period of availability. Several programs had transfer adjustments into the funds to close out the programs and no reviews were performed to verify that those transactions were within the period of availability.

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 of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the requirements for the Period of Availability of Federal Funds compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 3rd, 2017

Finding 2015-001

Auditee Contact Person: Jo Ann Burson
Title of Contact Person: Corporation Treasurer
Phone Number: 812-347-2407

Views of Responsible Official:

The finding is that the school corporation did not have effective internal controls in regards to the Schedule of Expenditures of Federal Awards (SEFA). The core issues were that the school lunch program information and the special education program information did not make it into the report. While this was a finding in the 2013 audit, we were not made aware that there was information missing at that time. We reviewed the information that we had as a part of our internal control process but were not aware that additional information was required for this report. This SEFA report was new to us, and we were just a bit confused. Now we know.

Description of Corrective Action Plan:

As of the 2016-17 SEFA report, we have included all required data. The data will be compiled by the treasurer, reviewed by the program administrators, and final approval will be given by the superintendent.

Anticipated Completion Date:

These measures were put into place August 4, 2017

Lane Richards

Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 3, 2017

Finding 2015-002

Auditee Contact Person: Kathleen Chinn
Title of Contact Person: ECA Corporation Treasurer
Phone Number: 812-347-3905

Views of Responsible Official:

Finding: We noted deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to the collection and recording of some receipts.

1. The School Lunch fund and Textbook Rental fund were maintained on the extra-curricular records. Financial activity of the School Lunch fund was compiled by the extra-curricular treasurer and submitted to the School Corporation administration for inclusion in the School Corporation's financial statement. No one reviewed the School Lunch fund and Textbook Rental fund financial activity prepared by the Extra-Curricular Treasurer prior to submission to the administration to verify its accuracy.

2. The School Corporation has not separated incompatible activities related to School Lunch fund receipts. The Extra-Curricular Treasurer is responsible for verifying collections with the daily register reports; issuing receipts; recording receipts; preparing deposit ticket; making bank deposits; and performing bank reconcilements.

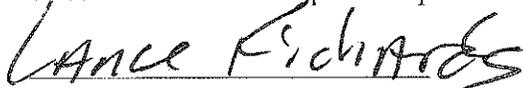
Description of Corrective Action Plan:

Issue 1: Management will send documentation supporting Form 9 Revenue and Expenditures to Corporation Treasurer for review to ensure accuracy and compliance within the School Lunch Fund and Textbook Fund.

Issue 2: The Extra-Curricular Treasurer receives supporting documentation from Café Managers for daily deposits. Café Managers will sign documentation as proof they supplied the supporting documentation. Daily deposits will be reviewed and signed by a second person in order to assure accuracy and compliance. The receipt edit will be matched to the bank deposit slip for accuracy and signed off on as well. Bank reconciliations will also be reviewed and signed by a second person.

Anticipated Completion Date:

These measures were put into place August 1, 2017



Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 3, 2017

Finding 2015-003

Auditee Contact Person: Kathleen Chinn
Title of Contact Person: ECA Corporation Treasurer
Phone Number: 812-347-3905

Views of Responsible Official:

Finding: "Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Cost/Cost Principles compliance requirements. No controls were in place to ensure compliance with time and effort reporting, therefore, none of the required reports were being completed."

"No semi-annual certifications or personnel activity reports were completed for any employees whose costs were charged to the School Breakfast Program and the National School Lunch Program. In most instances employees worked on only one cost objective or maintained separate time cards clearing documenting allocation of time on other cost objectives. However, there was one employee who had no documentation to support the amount of time spent on the breakfast and lunch program."

Description of Corrective Action Plan:

With future reporting, cafeteria managers will prepare certifications semi-annually for employees that work on a single Federal award or cost objective. The Food Service contact will prepare a semi-annual certification for café managers that work on a single Federal award or cost objective. These certifications will be signed by the employee.

Employees that work on a Federal award and a non-Federal award will supply a personal activity report with each time card and will account for the total activity for which the employee is compensated. The report will be signed by the employee.

Anticipated Completion Date:

These measures were put into place July 1, 2017

Laura Roberts
Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 3, 2017

Finding 2015-004

Auditee Contact Person: Kathleen Chinn
Title of Contact Person: ECA Corporation Treasurer
Phone Number: 812-347-3905

Views of Responsible Official:

Finding: "Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirements."

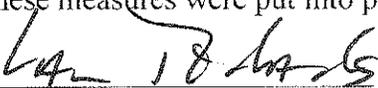
"The School Corporation failed to comply with the Cash Management requirement that they limit their net cash resources in the School Lunch fund to an amount that does not exceed three months average expenditures for its nonprofit school food service."

Description of Corrective Action Plan:

The School Food authority plans to spend down some of its net cash resources on the remodel of the North Harrison Middle School Cafeteria. After that, the School Food Authority will limit its net cash resources to an amount that does not exceed three month's average expenditure for its nonprofit school food service or such other amount as may be approved the State agency.

Anticipated Completion Date:

These measures were put into place August 1, 2017



Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 3, 2017

Finding 2015-005

Auditee Contact Person: Kathleen Chinn
Title of Contact Person: ECA Corporation Treasurer
Phone Number: 812-347-3905

Views of Responsible Official:

Finding: "Management of the School Corporation had not established an effective internal control system related to the grant agreement and compliance requirements for Procurement, Suspension and Debarment. The School Corporation did not have procedures in place to determine if vendors had been suspended or debarred from participating in federal programs."

"Management was not aware of the requirement and no controls were in place to ensure that vendors from which bread and dairy products were purchased had not been suspended or debarred."

Description of Corrective Action Plan:

Management will follow the Procurement Plan as submitted to the Office of School and Community Nutrition. The Indiana Procurement Plan template provided by the Office of School and Community Nutrition was used so that all requirements are met. Management also enrolled in training provided for the template online.

Anticipated Completion Date:

These measures were put into place August 1, 2017

Laura Roberts
Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 3, 2017

Finding 2015-006

Auditee Contact Person: Kathleen Chinn
Title of Contact Person: ECA Corporation Treasurer
Phone Number: 812-347-3905

Views of Responsible Official:

Finding: "Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the Reporting requirements. The Annual Financial Reports (AFR) filed by the School Corporation for the school year 2014-2015 did not agree with the School Corporation's financial records."

"The School Corporation is required to file reports with IDOE on an intermittent basis for various program requirements. The Annual Financial Report for the National School Lunch Program is such that it requires an annual filing depicting accurate related sales and expenditures for the program during the school year."

Issue1: "The School Corporation had not designed or implemented adequate policies or procedures to ensure the AFR was accurate. The reports were not reviewed to ensure that they were accurate and in compliance with the Reporting requirements. An oversight, review, or approval process had not been established. One individual prepared and submitted reports without oversight or review of the reports prior to submission."

Issue 2: "The School Lunch fund receipts were overstated by the prepaid meal receipts. Other income receipts were reduced by this overstatement so that the ending fund balances would be correct."

Description of Corrective Action Plan:

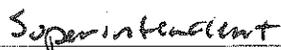
Issue 1: Management will send a copy of the Annual Financial Report along with supporting documentation to the Corporation Treasurer for review to ensure accuracy and compliance before submitting the report to the Office of School and Community Nutrition.

Issue 2: Management asked for guidance from Auditor concerning prepaid receipts. After much discussion, it was agreed that prepay accounts be maintained separate from the operating account. This will alleviate the overstatement of prepaid meal receipts. Management will ask for guidance on how the Beginning Balance and the Balance of Accounts on the Annual Financial Report can be corrected for reports beginning with the 2018 Annual Financial Report.

Anticipated Completion Date:

These measures were put into place August 1, 2017





Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 3, 2017

Finding 2015-007

Auditee Contact Person: Kathleen Chinn
Title of Contact Person: ECA Corporation Treasurer
Phone Number: 812-347-3905

Views of Responsible Official:

Finding: "Management of the School Corporation had not established an effective internal control system related to the grant agreement and compliance requirements for Eligibility and Special Tests and Provisions-Verification of Free and Reduced Price Applications."

"The person that entered student application data into the computer system also determined student eligibility. The person responsible for completing the eligibility verification was the same individual who performed the initial eligibility determination. There is no other review or approval to determine accuracy."

Description of Corrective Action Plan:

Employee responsible for student application data will have a second person review all information after entered into the computer system to check for accuracy. Second person will also sign off on all applications for proof of review. The Eligibility verification process will also be verified for accuracy by a second person and signed for proof of review.

Anticipated Completion Date:

These measures were put into place August 1, 2017

Lan Roberts
Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 2, 2017

Finding 2015-008

Auditee Contact Person: Jo Ann Burson
Title of Contact Person: Corporation Treasurer
Phone Number: 812-347-2407

Views of Responsible Official:

This finding consists of two parts. The first issue is in regards to the review of the semi-annual certifications. The second deals with the employment of an assistant that also served as a bus driver. We will provide corrective action to make sure this question does not arise in the future.

Issue 1: The semi-annual certifications are prepared by the corporation treasurer and then reviewed by the Title 1 director. The director has established the staffing levels for the programs in each of our buildings. Those individuals are confirmed with the building principals each semester. Given the limited budget, the limited number of positions, and the fact that 100% of our funding goes to salaries and benefits, this is a relatively simple verification. We do not see that there is an internal control concern in this process. However, we will ask that the principals confirm in writing the staffing in their given buildings.

Issue 2: In this audit period, a Title 1 assistant also served as a bus driver. In our corporation, this is a completely unrelated job that occurs outside of our school day. The bus drivers do not work during school hours. The Title 1 assistants work only during the school day. In fact, there is a gap in time that occurs between the two jobs. This employee worked solely on a single Federal award and worked solely on that program during the school day. However, we do recognize that as an employee of the corporation she did receive compensation from two funds.

Description of Corrective Action Plan:

Issue 1: We will continue to confirm staffing at the corporation and building levels. We will ask principals to provide written confirmation as well.

Issue 2: The employee in question is no longer a part of our Title program. We do not anticipate that we will employ any drivers in this role in the future. Should that occur, we will provide a Personnel Activity Report for that individual.

Anticipated Completion Date:

These measures were put into place August 1, 2017


Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
OFFICE OF THE SUPERINTENDENT
Ramsey, Indiana 47166
812-347-2407
FAX: 812-347-2870

Date: August 3rd, 2017

Finding 2015-09

Auditee Contact Person: Jo Ann Burson
Title of Contact Person: Corporation Treasurer
Phone Number: 812-347-2407

Views of Responsible Official:

This finding is that there is a Material Weakness and a Compliance Deficiency which caused another matter in regards to the Annual Report Card and High School Graduation Rate Requirements.

Description of Corrective Action Plan:

Moving forward the building principal will include the guidance counselor in the student withdrawal process. The documentation will be more specifically aligned to the reason for withdrawal from the school. This documentation will be reviewed by the principal, guidance counselor and guidance secretary prior to being filed to avoid any future Material Weakness or Compliance Deficiencies.

More specifically (In response to 34 CFR 200. 19(b) (ii)

(B) When removing a student from the cohort, the building principal and a counselor will sign and file written documentation that the student transferred out, immigrated to another country, or is deceased.

- (1) When confirming that a student has transferred out, the principal and a counselor will review and file the written documentation from the school or educational program that the student has enrolled in to make sure that either culminates in the award of a regular high school diploma. (Note: the documentation must both be signed and reviewed prior to removing the student from the cohort)
- (2) When a student is retained in a grade, enrolls in a GED program, or leaves the school for any other reason the principal and counselor will review and sign documentation that shows that the student will not be counted as transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort.

Anticipated Completion Date:

These measures were put into place August 1, 2017

Stephen J. Hattar 8-4-17

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 2, 2017

Finding 2015-010

Auditee Contact Person: Jo Ann Burson
Title of Contact Person: Corporation Treasurer
Phone Number: 812-347-2407

Views of Responsible Official:

This finding consists of two parts. The first issue is in regards the completion of the comparability reports. The second deals with Highly Qualified Teachers and Paraprofessionals.

Issue 1: The comparability report is prepared Title 1 director and reviewed with the corporation treasurer. However, the treasurer did not sign the document as proof of her review.

Issue 2: In this audit period, a Title 1 assistant was Highly Qualified due to her college coursework. However, the transcript proving this qualification was not where it should be and was not readily available. It was later located and place in the appropriate file.

Description of Corrective Action Plan:

Issue 1: With future comparability reports the Title 1 director will review his findings with the corporation treasurer or the superintendent. All involved will sign the print off as proof of review.

Issue 2: All paraprofessionals involved with Title 1 have to have the appropriate documentation to be paid from Title funding. At the start of each year, records for each assistant will be reviewed by the payroll clerk as well as the Title 1 director for proof of qualification and to ensure that all the documentation is in the right place and readily available.

Anticipated Completion Date:

These measures were put into place August 1, 2017

Law Rodgers
Superintendent

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 13, 2017

Finding 2015-011

Auditee Contact Person: Jo Ann Burson
Title of Contact Person: Corporation Treasurer
Phone Number: 812-347-2407

Views of Responsible Official:

NHCS does not serve as the LEA for this grant. The grant is administered as part of the Harrison County Exceptional Learners Cooperative (HELC). South Harrison administers the grant for the school districts county. South Harrison has concurred with the finding. NHCS will concur as well.

Description of Corrective Action Plan:

North Harrison Community School Corporation designated South Harrison Community School Corporation as the fiscal agent to receive and manage the funding of the special education programs. The South Harrison Board of School Trustees will begin receiving as a portion of the claim docket full payroll distribution reports. These reports include individual names along with budgetary expenditure detail. Documented approval of distributions from Federal funds with individual payroll will be sought from the Director of the Harrison County Exceptional Learners Cooperative with copies maintained in the grant file. Further, Personal Activity Reports and Semi-Annual Certifications for time and effort reporting will be completed and properly approved. NHCS will monitor the state board of accounts audits that confirm that HELC has followed the corrective action plan.

Anticipated Completion Date:

These measures were put into place August 13, 2017



Superintendent



Treasurer

NORTH HARRISON COMMUNITY SCHOOL CORPORATION

OFFICE OF THE SUPERINTENDENT

Ramsey, Indiana 47166

812-347-2407

FAX: 812-347-2870

Date: August 13, 2017

Finding 2015-012

Auditee Contact Person: Jo Ann Burson
Title of Contact Person: Corporation Treasurer
Phone Number: 812-347-2407

Views of Responsible Official:

NHCS does not serve as the LEA for this grant. The grant is administered as part of the Harrison County Exceptional Learners Cooperative (HELCS). South Harrison administers the grant for the school districts county. South Harrison has concurred with the finding. NHCS will concur as well.

Description of Corrective Action Plan:

North Harrison Community School Corporation designated South Harrison Community School Corporation as the fiscal agent to receive and manage the funding of the special education programs. The South Harrison Board of School Trustees will begin receiving appropriations for the new grant period will be established with expenditures made from the budgetary line item at the beginning of the grant cycle and not upon receipt of approval of the grant (which has sometimes been as late as six months beyond the beginning of the grant period). Documentation is and will continue to be included with the file for each reimbursement request and spreadsheets have been utilized to provide detailed tracking of expenditures. Final expenditure reports will be included with the Final Expenditure Report beginning immediately. NHCS will monitor the state board of accounts audits that will confirm that HELCS has followed the corrective action plan.

Anticipated Completion Date:

These measures were put into place August 13, 2017



Superintendent



Treasurer

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
OFFICE OF THE SUPERINTENDENT
Ramsey, Indiana 47166
812-347-2407
FAX: 812-347-2870

Date: August 13, 2017

Finding 2015-013

Auditee Contact Person: Jo Ann Burson
Title of Contact Person: Corporation Treasurer
Phone Number: 812-347-2407

Views of Responsible Official:

NHCS does not serve as the LEA for this grant. The grant is administered as part of the Harrison County Exceptional Learners Cooperative (HELC). South Harrison administers the grant for the school districts county. South Harrison has concurred with the finding. NHCS will concur as well.

Description of Corrective Action Plan:

North Harrison Community School Corporation designated South Harrison Community School Corporation as the fiscal agent to receive and manage the funding of the special education programs. If transfers are determined to be necessary by the South Harrison Board of School Trustees, appropriate descriptions will be used so that transactions can clearly be identified to verify period of availability. NHCS will monitor the state board of accounts audits that will confirm that HELC has followed the corrective action plan.

Anticipated Completion Date:

These measures were put into place August 13, 2017

LAN BOWEN
Superintendent

Jo Ann Burson
Treasurer

NORTH HARRISON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2017, with Dr. Lance Richards, Superintendent of Schools; Stephen Hatton, Assistant Superintendent of Schools; Veronica Battista, President of the School Board; Marla J. Adams, School Board member; Jo Ann Burson, Treasurer; and Kathleen Chinn, ECA Treasurer/Food Service Coordinator.