

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
NORTHEAST SCHOOL CORPORATION  
SULLIVAN 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	Vikki Huntworth	07-01-13 to 06-30-18
Superintendent of Schools	Dr. Mark A. Baker	07-01-13 to 06-30-18
President of the School Board	Norman R. Santus	07-01-13 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHEAST SCHOOL CORPORATION, SULLIVAN COUNTY, INDIANA

This report is supplemental to our audit report of the Northeast 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/](http://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 31, 2017

NORTHEAST SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2015-001***

Subject: Special Education Cluster (IDEA) - Allowable Costs/Costs 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): 14212-024-PN01, 14213-024-PN01,  
14214-024-PN01, 99914-024-PN01,  
14215-024-PN01, 45713-024-PN01,  
45714-024-PN01, 45715-024-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matter

*Condition*

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the special education grants. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an internal control system to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation failed to keep the necessary documentation relating to Circular A-87 for time and effort reporting. For those employees that were paid entirely from the Special Education program, the Cooperative did not submit the Semi-Annual Certification.

*Context*

There were no Semi-Annual Certifications completed during the audit period.

*Criteria*

OMB Circular A-87, Attachment B, Section 8h(3) states:

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

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. . . ."

NORTHEAST SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement concerning time and effort reporting.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to occur. Non-compliance with the Allowable Costs/Cost Principles 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 and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 2015-002**

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, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-024-PN01, 14213-024-PN01,  
14214-024-PN01, 99914-024-PN01,  
45713-024-PN01, 45714-024-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

*Condition*

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the special education grants. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

NORTHEAST SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Reporting*

The School Corporation had not established an effective internal control system over its Special Education program related to the Reporting compliance requirement. Reimbursement Requests were prepared and filed by the Cooperative Treasurer with no oversight, review or approval process, or other compensating control.

*Context*

Controls did not exist over the compliance requirement of Reporting for Reimbursement Requests for the 2013-2014 school year.

*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 would have ensured the School Corporation complied with the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system could have enabled noncompliance to occur. Noncompliance 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 the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Reporting 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.

NORTHEAST SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-003***

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): 14213-024-PN01, 14214-024-PN01,  
14215-024-PN01, 45714-024-PN01,  
45715-024-PN01

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the special education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

*Context*

The School Corporation did not verify that vendors were not suspended or debarred prior to awarding the contracts with 100 percent of applicable vendors for the 2014-2015 school year.

*Criteria*

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."

NORTHEAST SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

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

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Procurement and Suspension and Debarment requirements.

*Effect*

The failure to establish an effective internal control system 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 and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment 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 - Reporting

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2014, FY2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

*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.

NORTHEAST SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Reporting*

The Food Service Director prepared and submitted the Sponsor Claim (claims for reimbursement) with information obtained from reports generated from the cafeteria software. There was no evidence of an internal control such as oversight, review or approval, or other compensating control.

The Treasurer prepared and submitted the Annual Financial Report with information obtained from the School Corporation's general ledger. There was no evidence of an internal control such as oversight, review or approval, or other compensating control.

*Context*

There were no internal controls in place over the Reporting compliance requirement 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 would have ensured compliance with the Reporting compliance requirement.

*Effect*

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

*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.

**Northeast School Corporation  
Sullivan County**

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Fax 812/383-4591

**DR. MARK A. BAKER**  
Superintendent of Schools

**VIKKI HUNTWORTH**  
Treasurer

**SHEILA WOODARD**  
Payroll Secretary

**CORRECTIVE ACTION PLAN**

***FINDING 2015-001***

Contact Person Responsible for Corrective Action: Dr. Mark A. Baker  
Contact Phone Number: 812-383-5761

We concur with findings.

Description of Corrective Action Plan:

Management of the Northeast School Corporation will work with the Green-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with Allowable Costs / Cost Principles compliance requirements concerning time and effort reporting.

Anticipated Completion Date: August 15, 2017

***FINDING 2015-002***

Contact Person Responsible for Corrective Action: Dr. Mark A. Baker  
Contact Phone Number: 812-383-5761

We concur with findings.

Description of Corrective Action Plan:

Management of the Northeast School Corporation will work with the Green-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with the Reporting compliance requirement concerning reimbursement requests.

Anticipated Completion Date: August 15, 2017

**FINDING 2015-003**

Contact Person Responsible for Corrective Action: Dr. Mark A. Baker  
Contact Phone Number: 812-383-5761

We concur with findings.

Description of Corrective Action Plan:

Management of the Northeast School Corporation will work with the Green-Sullivan Special Education Cooperative to establish internal controls that will ensure the Cooperative is in compliance with Procurement and Suspension and Debarment requirement concerning the approval of contracts only after verifying the vendors were not suspended or debarred.

Anticipated Completion Date: August 15, 2017

**FINDING 2015-004**

Contact Person Responsible for Corrective Action: Dr. Mark A. Baker  
Contact Phone Number: 812-383-5761

We concur with findings.

Description of Corrective Action Plan:

The Treasurer of the Northeast School Corporation will verify each month the claim for reimbursement submitted by the Food Service Director from reports generated from the cafeteria software.

The Superintendent of the Northeast School Corporation will verify the Annual Financial Report with information obtained from the general ledger.

Anticipated Completion Date: August 15, 2017

**Dated: July 27, 2017**

A handwritten signature in black ink, appearing to read 'Mark A. Baker', written over a horizontal line.

**Dr. Mark A. Baker, Superintendent**

NORTHEAST SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

***PREPAID LUNCH ACCOUNT***

The School Corporation did not comply with state requirements for accounting for program income generated from the operation of the food service program. Prepayments were recorded in a separate line item of the School Lunch fund, but should have been recorded in a Prepaid Food fund. This fund 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 receipts 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 that balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Administrator and Uniform Compliance Guidelines, Vol. 211)

NORTHEAST SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2017, with Vikki Huntworth, Treasurer; Dr. Mark A. Baker, Superintendent of Schools; Donald E. Ransford, School Board member; and Norman R. Santus, President of the School Board.