

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WASHINGTON COMMUNITY SCHOOLS, INC.
DAVISS COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
09/19/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2015-001	
Preparation of the Schedule of Expenditures of Federal Awards	4-5
Finding 2015-002	
Internal Controls over Financial Transactions and Reporting	6-7
Finding 2015-003	
Internal Controls over Child Nutrition Cluster	7-8
Finding 2015-004	
Child Nutrition Cluster - Eligibility	9-11
Finding 2015-005	
Child Nutrition Cluster - Program Income	11-12
Finding 2015-006	
Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles	12-14
Finding 2015-007	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability	14-15
Finding 2015-008	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security	15-17
Finding 2015-009	
Migrant Education_State Grant Program - Allowable Costs/Cost Principles	17-18
Finding 2015-010	
Migrant Education_State Grant Program - Special Tests and Provisions - Comparability and Priority for Services	19-20
Finding 2015-011	
Special Education_Preschool Grants - Procurement and Suspension and Debarment	20-21
Corrective Action Plan	22-33
Audit Result and Comment:	
Prepaid Food Clearing Account	34
Exit Conference	35

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	07-01-13 to 12-31-17
Superintendent of Schools	Dr. Daniel Roach	07-01-13 to 06-30-19
President of the School Board	Steven K. Frette	07-01-13 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of the Washington Community Schools, Inc. (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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

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

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

August 31, 2017

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS

FINDING 2015-001

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

Condition

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

The following errors were identified: federal expenditures were not reported for eleven grants totaling \$1,707,939; federal expenditures were overstated \$20,482 in total for three grants and were understated \$68,998 in total for six grants that were reported. In addition, the program titles for six grants and the CFDA numbers for two grants were incorrectly reported.

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

Context

This was a systemic problem as controls over preparation of the SEFA did not exist during the audit period.

Criteria

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

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

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

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

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. . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

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 of the School Corporation had not established a system of internal control that would have ensured accurate and complete reporting of federal awards on the SEFA.

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA and to ensure accurate and complete reporting of federal awards.

Views of Responsible Officials

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

FINDING 2015-002

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

Condition

Management of the School Corporation had not established an adequate internal control system related to financial transactions and reporting of the Self-Insurance Reserve fund.

The School Corporation utilized a third-party Administrator to administer the Washington Community Schools Employee Benefit Trust (Self-Insurance Reserve fund). The Administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income and expenditures and ending cash balances. The School Corporation used the reconciliation worksheets to enter the receipts and disbursements to the Self-Insurance Reserve fund on the financial statement.

There was no evidence of any controls to verify that the information received from the Administrator was accurate or to ensure that the receipts and disbursements reflected in the Self-Insurance Reserve fund on the financial statement were accurate.

Context

This was a systemic problem as controls over the Self-Insurance Reserve fund did not exist during the audit period.

Criteria

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

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

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

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

Cause

Management of the School Corporation had not established a proper system of internal control to ensure proper reporting of the receipts, disbursements, and cash balances of the Self-Insurance Reserve fund.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish a proper system of internal control could have enabled material misstatements within the Self-Insurance Reserve fund to occur and remain undetected.

Recommendation

We recommended that the School Corporation's management establish controls to verify the accuracy of the information received from the administrator to ensure proper reporting of Self-Insurance Reserve fund transactions in the financial statement.

Views of Responsible Officials

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

FINDING 2015-003

Subject: Internal Controls over Child Nutrition Cluster

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-14, FY 2014-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting,
Special Tests and Provisions - Paid Lunch Equity

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 following compliance requirements: Cash Management, Eligibility, Program Income, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

An effective internal control system was not in place to ensure that the School Lunch fund monthly net cash resources did not exceed the three months average expenditures.

Eligibility

An effective internal control system was not in place to ensure that written communications were made to applicants whose applications for free/reduced meal prices were denied, that the eligibility calculations as determined by the School Corporation's software system were accurate, and that a public announcement of the eligibility criteria was made as required.

Program Income

An effective internal control system was not in place to ensure that program income was properly receipted and recorded into the School Lunch fund.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Reporting

An effective internal control system was not in place to ensure that the monthly Sponsor Claim (claims for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were accurately prepared and submitted.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

An effective internal control system was not in place to ensure that the paid lunch equity calculations were accurate.

Context

This was a systemic problem within the School Breakfast Program and National School Lunch Program. Controls did not exist over the compliance requirements listed above during the audit period.

Criteria

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

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

Cause

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

FINDING 2015-004

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2013-14, FY 2014-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Other Matters

Condition

The School Corporation did not provide written notice to applicants whose applications for free and reduced price meals were denied nor did they publicly announce the criteria for determining the eligibility of children for free and reduced price meals during the audit period.

Context

These were systemic issues and occurred throughout the audit period.

Criteria

7 CFR 245.6(c)(7) states:

"Denied applications and the notice of denial. When the application furnished by a family is not complete or does not meet the eligibility criteria for free or reduced price benefits, the local educational agency must document and retain the reasons for ineligibility and must retain the denied application. In addition, the local educational agency must promptly provide written notice to each family denied benefits. As a minimum, this notice shall include:

- (i) The reason for the denial of benefits, e.g. income in excess of allowable limits or incomplete application;
- (ii) Notification of the right to appeal;
- (iii) Instructions on how to appeal; and
- (iv) A statement reminding parents that they may reapply for free or reduced price benefits at any time during the school year."

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: *Provided however*, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of *Schools*), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of the school year or, if notice of approval is given thereafter, within 10 days after the notice is received. The public announcement of such criteria, as a minimum, shall include the following:

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

- (1) Except as provided in § 245.6(b), a letter or notice and application distributed on or about the beginning of each school year, to the parents of all children in attendance at school. The letter or notice shall contain the following information:
- (i) In schools participating in a meal service program, the eligibility criteria for *reduced price* benefits with an explanation that households with incomes less than or equal to the reduced price criteria would be eligible for either free or reduced price meals, or in schools participating in the free milk option, the eligibility criteria for *free* milk benefits;
 - (ii) How a household may make applications for free or reduced price meals or for free milk for its children;
 - (iii) An explanation that an application for free or reduced price benefits cannot be approved unless it contains complete information as described in paragraph (1)(i) of the definition of *Documentation* in § 245.2;
 - (iv) An explanation that households with children who are members of currently certified SNAP, FDPIR or TANF households may submit applications for these children with the abbreviated information described in paragraph (2)(ii) of the definition of *Documentation* in § 245.2;
 - (v) An explanation that the information on the application may be verified at any time during the school year;
 - (vi) How a household may apply for benefits at any time during the school year as circumstances change;
 - (vii) A statement to the effect that children having parents or guardians who become unemployed are eligible for free or reduced price meals or for free milk during the period of unemployment, *Provided*, that the loss of income causes the household income during the period of unemployment to be within the eligibility criteria;
 - (viii) The statement: 'In the operation of child feeding programs, no child will be discriminated against because of race, sex, color, national origin, age or disability;'
 - (ix) An explanation that Head Start enrollees and foster, migrant, and runaway children, as defined in § 245.2, are categorically eligible for free meals and free milk and their families should contact the school for more information;
 - (x) How a household may appeal the decision of the local educational agency with respect to the application under the hearing procedure set forth in § 245.7. The letter or notice shall be accompanied by a copy of the application form required under § 245.6.
 - (xi) A statement to the effect that the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) participants may be eligible for free or reduced price meals. . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation provided written notice to applicants whose applications were denied and that the eligibility criteria were publicly announced.

Effect

The failure to establish an effective internal control system enabled noncompliance to occur. Non-compliance 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 implement procedures to ensure compliance with the Eligibility requirements.

Views of Responsible Officials

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

FINDING 2015-005

Subject: Child Nutrition Cluster - Program Income
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 2013-14, FY 2014-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Finding: Scope Limitation/Modified Opinion

Condition

It could not be determined if the School Corporation complied with requirements for accounting for program income generated from the operation of the school food service program. A single fund, the School Lunch fund, was used to account for all activity of the school food service program.

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Context

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

Criteria

7 CFR 3016.20 (b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were properly identified and accounted for.

Effect

The failure to establish a system of internal controls that would have ensured proper receipting and recording of program income prevented the determination of the School Corporation's compliance with Program Income requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation comply with the Program Income requirements and segregate the prepaid receipts from the program income receipts.

Views of Responsible Officials

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

FINDING 2015-006

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): 13-1405, 14-1405, 15-1405
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain the documentation necessary to support the employees' salaries and wages charged to the federal program. Semi-Annual Certifications and Personnel Activity Reports were not maintained for all employees that were paid from the program.

Context

During the audit period, Semi-Annual Certifications were not maintained for four employees and Personnel Activity Reports were not maintained for twenty-three employees.

Criteria

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

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

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

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

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. . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

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 Allowable Costs/Cost Principles requirements.

Effect

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

Views of Responsible Officials

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

FINDING 2015-007

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability
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): 13-1405, 14-1405, 15-1405
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
Audit Finding: Material Weakness

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 - Comparability compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the comparability report was accurate. One person was responsible for preparing and submitting the comparability report. There was no segregation of duties, such as an oversight, review, approval process, or other compensating control.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Context

Internal Controls, including segregation of duties, did not exist over the compliance requirement listed above during the audit period.

Criteria

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

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

Cause

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirement listed above.

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 program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-008

Subject: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-1405, 15-1405
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
Audit Findings: Material Weakness, Other Matters

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place to ensure that a written test security policy, describing the School Corporation's policies and procedures for ensuring the security of assessment testing, was developed and implemented.

The School Corporation developed a written test security policy; however, it does not adequately describe the School Corporation's specific policies and procedures for assessment system security.

Context

The School Corporation's written policy on Assessment System Security did not adequately describe specific policies and procedures for assessment system security.

Criteria

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

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

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Assessment Program Manual, Chapter 10, Part D states in part:

"Every school corporation . . . that administers tests under the Indiana Assessment System **MUST** have a locally developed written test security policy. The test security policy developed by the entity should:

- Specify that secured test material should not be delivered to school buildings more than one week (preferably less) in advance of the test administration;
- Specify that teachers and other school staff members are not allowed access to secure materials (except for the *Examiner's Manual*) more than 24 hours in advance of test administration; and
- Describe the entity's plan for ensuring the security of assessment materials during the testing and storage of all secure assessment materials before, during, and after testing. All test materials should be stored at a central location under lock and key. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security requirements.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish a system of internal controls that would have ensured that an adequately detailed written test security policy was developed and implemented, resulted in the School Corporation's noncompliance with the Special Tests and Provisions - Assessment System Security requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and to comply with the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2015-009

Subject: Migrant Education_State Grant Program - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Migrant Education_State Grant Program
CFDA Number: 84.011
Federal Award Numbers and Years (or Other Identifying Numbers): 38212-015-PN01, 38213-009-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation, in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Semi-Annual Certifications and Personal Activity Reports were not prepared for employees paid from the program.

Context

There were no Semi-Annual Certifications or Personal Activity Reports for any employees paid from the Migrant Education_State Grant Program for either of the two years under audit.

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. . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

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

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

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

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the use of Semi-Annual Certifications and Personal Activity Reports was implemented.

Effect

The failure to establish a system of internal controls that would have ensured the use of Semi-Annual Certifications and Personal Activity Reports, resulted in the School Corporation's noncompliance with the Allowable Costs/Cost Principals requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

FINDING 2015-010

Subject: Migrant Education_State Grant Program - Special Tests and Provisions -
Comparability and Special Tests and Provisions - Priority for Services
Federal Agency: Department of Education
Federal Program: Migrant Education_State Grant Program
CFDA Number: 84.011
Federal Award Numbers and Years (or Other Identifying Numbers): 38212-015-PN01, 38213-009-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Special Tests and Provisions - Comparability,
Special Tests and Provisions - Priority for Services
Audit Finding: Material Weakness

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 - Comparability and Special Tests and Provisions - Priority for Services compliance requirements.

Special Tests and Provisions - Comparability

An effective internal control system was not in place to ensure that the comparability reports were accurately prepared and submitted.

Special Tests and Provisions - Priority for Services

An effective internal control system was not in place to ensure that the priority for services determination was accurately completed.

Context

Internal Controls, including segregation of duties, over the compliance requirements listed above, did not exist during the audit period.

Criteria

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

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

Cause

Management of the School Corporation had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system could have enabled material noncompliance with the grant agreement and the compliance requirements to occur.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-011

Subject: Special Education_Preschool Grants - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Program: Special Education_Preschool Grants
CFDA Number: 84.173
Federal Award Number and Year (or Other Identifying Number): 45715-009-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 Daviess-Martin 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 is ultimately responsible for ensuring compliance with the requirements.

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

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

Context

There was no evidence that the School Corporation verified that the vendors were not suspended or debarred prior to awarding the contracts.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 180.300 states:

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

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the grant agreement and 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 recommend that the School Corporation's management develop and implement procedures and establish controls 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.



**WASHINGTON
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CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

In 2013-15 the SEFA report was a very new requirement. Upon implementation, little guidance or training associated with how to complete this report was provided.

Description of Corrective Action Plan:

Corporation Treasurer will have Superintendent as well as Assistant Superintendent review the SEFA prior to submission.

Anticipated Completion Date: 08/31/2017

Carrie Alford
(Signature)
Business Manager
(Title)
8/29/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Carrie Alford / Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Views of Responsible Official:

After the 2013 Audit, Washington Community Schools developed an 1100 fund for monies that the district controls. At that time, and after learning that the trust account is operating under a different Tax-ID number and has its own regulations separate from those of the corporation controlled Self Insurance Fund, the district stopped reporting that money on our Form 9. Once this money is paid to the vendor we no longer have control or access to these funds. Also, after reviewing financial records of other corporations with the same setup as Washington Community Schools, the district found none of them have audit notes or findings requiring the reporting of those dollars on their financial reports.

Description of Corrective Action Plan:

Due to the sensitive nature and HIPPA regulations associated with the Trust, Washington Community Schools will continue to ensure Dunn and Associates follows all requirements set forth in the trust agreement. Dunn and Associates has had several different agencies audit and review their records. They will continue to submit to these audits and inform Washington Community Schools immediately if there are any findings associated with funds related to the Washington Community Schools Benefit Trust.

The true Self Insurance Reserve fund (1100) is reported and maintained by Washington Community Schools. The district will continue to ensure all transactions associated with that fund are subject to the regular approval process per board policy.

Anticipated Completion Date: 08/22/2017

Carrie Alford
(Signature)

Business Manager
(Title)

8/29/17
(Date)

[Signature]
(Signature)

Superintendent
(Title)

8-29-17
(Date)

RE: Audit



Cathy Dunn <cdunn@dunnbenefit.com>

Thu 8/3, 4:28 PM

Carrie Alford <calford@wcs.k12.in.us> ↵

↻ Reply all | v

Yes, we do!

We have had an extensive DOL audit this past year involving a specific account, Sunright America. Dunn fully cooperated with this audit. Due to our willingness to cooperate, the DOL expanded this audit to include all of our accounts. This audit emphasized financial controls and processes and covered ALL of the ACA requirements on health plans. It has been very extensive.

We are also audited by Reinsurance Companies that provide Stop-Loss coverage to our self-funded accounts (including WCS). These audits include auditing of financial transactions (accounting) and accuracy/appropriateness of claims payments in accordance to plan provisions.

We are also in the process of a SOC audit (not complete as yet).

If the SBOA wants to discuss our procedures or processes, please feel free to ask them to call me.

Cathy

Cathy S. Dunn

Cathy S. Dunn

President

Dunn and Associates Benefit Administrators, Inc.

Phone: 812-378-9960

Fax: 812-378-9967

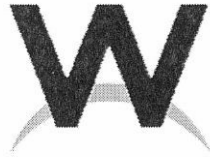
cdunn@dunnbenefit.com

From: Carrie Alford [mailto:calford@wcs.k12.in.us]

Sent: Thursday, August 03, 2017 2:59 PM

To: Cathy Dunn <cdunn@dunnbenefit.com>

Subject: Audit



CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Effective July 1, 2016, Washington Community Schools contracted with Sodexo to manage the School Lunch Program. At that time, all School Lunch expenses began being processed in the same capacity as all other Corporation expenses. Controls are in place to segregate duties and monitor expenses and revenues.

Building Secretaries have been trained on denied free or reduced applications. They will send letters to anyone who has a denied application.

Sodexo will work with Washington Community Schools to maintain all state and federal regulations.

Anticipated Completion Date: 08/31/2017

Carrie Alford
(Signature)

Business Manager
(Title)

8/29/17
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Beginning with the 2017-18 school year, each student received a written notice announcing the criteria for determining the eligibility of children for free and reduced price meals.

Building Secretaries have been trained on denied free or reduced applications. They will send letters to anyone who has a denied application.

Anticipated Completion Date: 08/31/2017

Carrie Alford
(Signature)

Business Manager
(Title)

8/29/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Effective with the Sodexo outsource, the Corp Treasurer gained control of the School Lunch Fund and Pre-paid fund. A Pre-paid fund was established at that time and is maintained with all the internal controls of all other Corporation funds.

Anticipated Completion Date: 08/31/2017

Carrie Alford
(Signature)
Business Manager
(Title)
8/29/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-006

Contact Person Responsible for Corrective Action: Kevin Frank / Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Going forward, Washington Community Schools will not only have the employee wage amounts listed in the Grant documents but also approved by the School Board.

Periodic Certifications and Personnel Activity Reports will be maintained by the Assistant Superintendent.

Anticipated Completion Date: 08/31/2017

Kevin Frank
(Signature)

Assistant Superintendent
(Title)

8/29/17
(Date)

Carrie Alford
(Signature)

Business Manager
(Title)

8/29/17
(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-007

Contact Person Responsible for Corrective Action: Kevin Frank
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

The Assistant Superintendent will continue to prepare the Comparability report. The report will be included in the School Board documents to ensure proper segregation of duties and oversight.

Anticipated Completion Date: 08/31/2017

Kevin Frank
(Signature)

Assistant Superintendent
(Title)

8/29/17
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-008

Contact Person Responsible for Corrective Action: Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

The Superintendent will work with Neola to revise our policy on Assessment System Security.

Anticipated Completion Date: 12/31/2017

De An

(Signature)

Superintendent

(Title)

8-29-17

(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-009

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Washington Community Schools no longer administers the Migrant Grant. In the future, if the district began managing the grant, the Assistant Superintendent would ensure Semi-annual certifications or personal activity reports were completed.

Anticipated Completion Date: 08/31/2017

Carrie Alford
(Signature)
Business Manager
(Title)
8/29/17
(Date)



**WASHINGTON
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CORRECTIVE ACTION PLAN

FINDING 2015-010

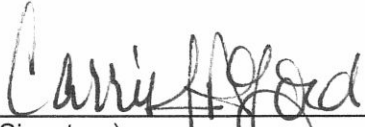
Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

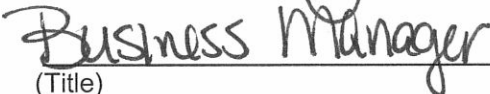
Description of Corrective Action Plan:

Washington Community Schools no longer administers the Migrant Grant. In the future, if the district began managing the grant, the Assistant Superintendent would ensure proper segregation of duties and compliance with all laws, regulations and provisions of the grant agreements.

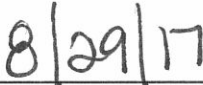
Anticipated Completion Date: 08/31/2017



(Signature)



(Title)



(Date)



CORRECTIVE ACTION PLAN

FINDING 2015-011

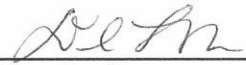
Contact Person Responsible for Corrective Action: Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Description of Corrective Action Plan:

Superintendent will work with the Special Education Director to coordinate and monitor the Daviess Martin Special Education Cooperative to ensure compliance with all grant requirements.

Anticipated Completion Date: 08/31/2017



(Signature)

Superintendent

(Title)

8-29-17

(Date)

WASHINGTON COMMUNITY SCHOOLS, INC.
AUDIT RESULT AND COMMENT

PREPAID FOOD CLEARING ACCOUNT

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

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using 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 Bulletin and Uniform Compliance Guidelines, September 2015)

WASHINGTON COMMUNITY SCHOOLS, INC.
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2017, with Carrie Alford, Treasurer; Kevin Frank, Assistant Superintendent of Schools; Steven K. Frette, President of the School Board; Pamela L. Bartlett, School Board member; and Peg Stephens, School Board member.