

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
SOUTH NEWTON SCHOOL CORPORATION
NEWTON 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	
Internal Controls over Financial Transactions and Reporting.....	4-5
Finding 2015-002	
Preparation of the Schedule of Expenditures of Federal Awards.....	5-7
Finding 2015-003	
Internal Controls over Child Nutrition Cluster	8-10
Finding 2015-004	
School Breakfast Program and National School Lunch Program - Cash Management	10-11
Finding 2015-005	
Child Nutrition Cluster - Reporting.....	11-13
Finding 2015-006	
Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking	13-14
Finding 2015-007	
Special Education Cluster (IDEA) - Procurement and Suspension and Debarment.....	14-16
Finding 2015-008	
Special Education Cluster (IDEA) - Reporting	16-17
Corrective Action Plan.....	18-25
Exit Conference.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marci Hall	07-01-13 to 12-31-17
Superintendent of Schools	K. Todd Rudnick	07-01-13 to 06-30-18
President of the School Board	Warren Johnson Jr. Robert Lane Amanda Berenda	01-01-13 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL
CORPORATION, NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of the South Newton School Corporation (School Corporation), for the period from July 1, 2014 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 8, 2017

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

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

Repeat Finding

This is a partial repeat of finding number 2013-001 from the immediate prior audit year.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, and Financial Close and Reporting.

Context

Cash and Investments

The Payroll/Personnel Manager independently prepared the reconcilements of the cash and investment balances. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control over the reconcilements.

Receipts

The Treasurer independently receipted collections, inputted them into the financial system, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control related to receipts.

Disbursements

The Treasurer independently prepared claims, entered them into the financial system, and issued and mailed checks to vendors. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control related to vendor disbursements.

The Payroll/Personnel Manager independently entered all payroll related activities into the payroll system. There was no segregation of duties, such as an oversight, review or approval process, or other compensating control related to payroll disbursements.

Financial Close and Reporting

The Treasurer prepared and submitted the Form 9 financial reports (reports) to the Indiana Department of Education. The reports were signed by the President of the School Board and the Superintendent of Schools. However, no supporting documentation was presented to the Superintendent of Schools or the President of the School Board for their review. There was no documented review of the supporting documentation to ensure the accuracy of the reports prior to submission.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 controls that segregated key functions.

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to financial transactions and reporting.

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

Repeat Finding

This is a repeat of finding number 2013-002 from the immediate prior audit year.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 SEFA was independently prepared and submitted by the Treasurer. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The following errors occurred on the SEFA presented for audit:

1. Expenditures for the Special Education Cluster (IDEA) were understated by \$235,109.
2. Expenditures for the Child Nutrition Cluster were understated by \$50,796.
3. Expenditures for Disaster Grants - Public Assistance (Presidentially Declared Disasters) were understated by \$2,670.

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. . . ."

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. . . ."

SOUTH NEWTON SCHOOL CORPORATION
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 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.

Views of Responsible Officials

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

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-003

Subject: Internal Controls over Child Nutrition Cluster

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 Requirements: Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and
Debarment, Program Income, Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP), and Special Tests and
Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a partial repeat of finding number 2013-003 from the immediate prior audit year.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Allowable Costs/Cost Principles, Eligibility, Procurement and Suspension and Debarment, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Allowable Costs/Cost Principles

The School Corporation had not established effective controls to ensure that only allowable costs were charged to the programs.

Eligibility (School Breakfast Program and National School Lunch Program)

The School Corporation had not established effective controls to ensure that eligibility determinations were accurate. For paper applications, eligibility was determined by the director who signed off on the application; however, there was no documentation that indicated the application or determination had been reviewed for accuracy. Eligibility determinations for applications submitted online were made by the computer system based on information submitted by the applicant. There was no evidence of a review for accuracy of online determinations.

Procurement

The School Corporation had not established effective controls to ensure that their procurement policies were followed.

Suspension and Debarment

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Program Income (School Breakfast Program and National School Lunch Program)

The School Corporation had not established effective controls to ensure that correct amounts for program income were recorded, deposited, and verified to the cafeteria financial reporting system.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
(School Breakfast Program and National School Lunch Program)*

The School Corporation had not established effective controls to ensure that verifications were properly performed. The verifications of eligibility were performed by the director without evidence of a review process.

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

The School Corporation had not established effective controls to ensure accurate paid lunch equity calculations. One employee performed and submitted the calculations without evidence of a review or approval process or other compensating control.

Context

The lack of effective controls over the compliance requirements listed above was a systemic problem throughout the audit period.

Criteria

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

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

Cause

The School Corporation had not established a proper internal control structure to ensure compliance 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.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-004

Subject: School Breakfast Program and National School Lunch Program - Cash Management

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances (Net Cash Resources) were limited to the three months average expenditures in accordance with the Cash Management compliance requirement.

The School Corporation did not comply with the Cash Management compliance requirement. The School Lunch fund cash balances (Net Cash Resources) exceeded the three months average expenditures throughout the audit period.

Context

The lack of controls and the noncompliance were systemic issues. The balance (Net Cash Resources) in the School Lunch fund exceeded the three months average expenditures throughout the audit period. The School Lunch fund three months average expenditures in FY2014 and FY2015 were \$147,922 and \$151,758, respectively. The School Lunch fund average cash balances (Net Cash Resources) in FY2014 and FY2015 were \$307,190 and \$337,794, respectively.

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. . . ."

SOUTH NEWTON 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 participating schools under its jurisdiction: . . .

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

Cause

The School Corporation had not established a proper internal control structure to ensure compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-005

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 Findings: Material Weakness, Other Matters

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

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

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

The School Corporation did not submit an accurate Annual Financial Report for 2014.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was an isolated issue. The 2014 Annual Financial Report submitted to the Indiana Department of Education did not accurately report receipts and disbursements.

Criteria

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

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

7 CFR 210.22(b) states in part:

"*Audit procedure.* These requirements call for organization-wide financial and compliance audits to ascertain whether financial operations are conducted properly; financial statements are presented fairly; recipients and subrecipients comply with the laws and regulations that affect the expenditures of Federal funds; recipients and subrecipients have established procedures to meet the objectives of federally assisted programs; and recipients and subrecipients are providing accurate and reliable information concerning grant funds. . . ."

2 CFR 200.302(b) states in part:

". . . (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation had not established a proper internal control structure to ensure compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2015-006

Subject: Special Education Cluster (IDEA) - Matching, Level of Effort, Earmarking

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the level of effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The maintenance of effort calculation prepared by School Corporation was not reviewed prior to submission to the Special Education Cooperative for inclusion in the grant application.

Context

The lack of controls was a systemic issue 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. . . ."

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not established a proper internal control structure to ensure compliance with the level of effort requirements of the Matching, Level of Effort, Earmarking 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 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 related to the grant agreement and Matching, Level of Effort, Earmarking 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: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

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

Procurement

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

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Suspension and Debarment

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

The School Corporation failed to comply with the suspension and debarment requirements. They did not perform a verification, obtain certifications, or add a clause to contracts to ensure that the vendors were not suspended or debarred.

Context

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

Criteria

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

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

2 CFR 180.300 states:

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2015-008

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

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

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.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required reports were completed accurately. There were no controls to ensure that the Final Expenditure Reports and Requests for Reimbursements were accurate prior to submission or that supporting documentation was retained to verify the accuracy of the December 1 Child Counts or the Data Collection Reports.

Context

The lack of controls was a systemic problem which occurred throughout the audit period.

Criteria

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

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

Cause

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

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.



... a great place
to learn & work

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-001 Internal Controls over Financial Transactions and Reporting

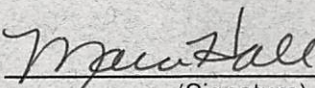
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of financial transactions and reporting.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

August 8, 2017

(Date)



South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

*... a great place
to learn & work*

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-002: Preparation of the Schedule of Expenditures of Federal Awards

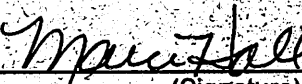
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

August 8, 2017

(Date)



South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

*... a great place
to learn & work*

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-003 School Breakfast Program, National School Lunch Program, Summer School Food Service for Children

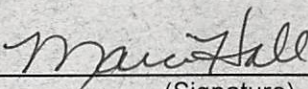
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff regarding the Programs listed above. We will attempt to have dual verification and sign-off on documents.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

August 8, 2017

(Date)



... a great place
to learn & work

South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-004 School Breakfast Program and National School Lunch Program Cash Management

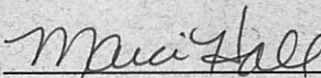
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to more efficiently manage our cash balance regarding the requirement of only maintaining a three month average of expenditures as our cash balance.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

August 8, 2017

(Date)



South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

*... a great place
to learn & work*

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-005 Child Nutrition Cluster - Reporting

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

We will review our procedures. Procedures have already been established to verify the monthly claim for reimbursement and the annual report will now be reviewed by the Corporation Treasurer as well.

Anticipated Completion Date: Immediately

Marci Hall
(Signature)

Treasurer
(Title)

August 8, 2017
(Date)



South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

*... a great place
to learn & work*

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-006 Special Education Cluster – Level of Effort – Maintenance of Effort

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this reporting.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff and have dual verification of reporting.

Anticipated Completion Date: Immediately.

Marci Hall
(Signature)

Treasurer
(Title)

August 8, 2017
(Date)



South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

*... a great place
to learn & work*

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-007 Special Education Cluster – Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however feel that this finding should only be made a part of the Special Education Cooperative report and not the individual schools that make up that Cooperative.

Description of Corrective Action Plan:
We will review our procedures.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

August 8, 2017

(Date)



South Newton School Corporation

13232 S 50 E

Kentland, IN 47951

*... a great place
to learn & work*

Todd Rudnick
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2015-008 Special Education Cluster – Reporting

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of reporting.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff. We will attempt to have dual verification and sign-off on documents.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

August 8, 2017

(Date)

SOUTH NEWTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2017, with Marci Hall, Treasurer; K. Todd Rudnick, Superintendent of Schools; and Amanda Berenda, President of the School Board.