

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NINEVEH-HENSLEY-JACKSON UNITED
SCHOOL CORPORATION
JOHNSON COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/26/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debra E. Carter	07-01-13 to 06-30-18
Superintendent of Schools	Dr. Mathew J. Prusiecki	07-01-13 to 08-27-13
	Dr. Rebecca Courtney-Knight (interim)	08-28-13 to 06-30-14
	Dr. Timothy Edsell	07-01-14 to 06-30-18
President of the School Board	Greg Waltz	07-01-13 to 12-31-13
	Kathy Vest	01-01-14 to 12-31-16
	Greg Waltz	01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NINEVEH-HENSLEY-JACKSON UNITED
SCHOOL CORPORATION, JOHNSON COUNTY, INDIANA

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

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

August 30, 2017

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

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

Repeat Finding

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

Condition

The School Corporation did not have an effective system of Internal Control in place to prevent, or detect and correct, material errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation relied on one employee to prepare the SEFA. The School Corporation assigned a second employee to review the SEFA; however, the review was not effective in preventing errors and omissions on the SEFA.

Context

Eight grants totaling \$687,102 were not included on the SEFA. Seven of these grants were administered by the Special Services - Johnson County and Surrounding Schools Special Education Cooperative.

The value of Noncash Assistance for the Child Nutrition Cluster was not included on the SEFA. The dollar value assigned to the food commodities was \$113,238.

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. . . ."

NINEVEH-HENSLEY-JACKSON UNITED 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 *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the SEFA.

Views of Responsible Officials

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-002

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15
Pass -Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

The School Corporation had not designed or implemented adequate internal controls to ensure compliance with the Reporting requirements. There were no procedures in place to ensure that the reports submitted were accurate. An oversight, review or approval process, or other compensating control had not been established.

The School Corporation relied on one employee to submit the Annual Financial Report and the School Food Authority (SFA) Verification Collection Reports.

Context

The lack of controls was a systemic problem, occurring throughout the audit period.

Criteria

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

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

Cause

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

Effect

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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: Title I Grants to Local Educational Agencies - Reporting
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): 13-4255, 14-4255, 15-4255
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

The School Corporation had not designed or implemented adequate internal controls to ensure compliance with the Reporting requirements relating to the final expenditure reports. There were no procedures in place to ensure that the reports submitted were accurate. An oversight, review or approval process, or other compensating control had not been established.

Context

Controls did not exist over the Reporting compliance requirement relating to the final expenditure reports 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. . . ."

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Reporting requirements for the final expenditure reports.

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 relating to the submission of the final expenditure reports.

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: Special Education Cluster (IDEA) - Cash Management and Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14212-033-PN01, 14213-033-PN01,
14214-033-PN01, 99914-033-TA01,
45713-033-PN01, 45714-033-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management and Reporting

Audit Finding: Material Weakness

Repeat Finding

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

Condition

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

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The Treasurer prepared the cash reimbursement request from the financial ledger, reconciled the reports to the financial ledger, and retained those reports in the grant files; however, there was no segregation of duties relating to the cash reimbursement request.

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 established a system of internal control that would have ensured oversight and review of the cash reimbursement requests.

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.



August 29, 2017

CORRECTIVE ACTION PLAN

Finding 2015-001 – Preparation of Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action Plan: Debra Carter
Contact Phone Number: 317-878-2100

Effective immediately Nineveh Hensley Jackson USC will implement a plan to have the SEFA report double checked for accuracy and omissions. We will now include the grants administered by Johnson County Special Service Education Cooperative.

The Food Service Director will obtain the value of Noncash Assistance for the Child Nutrition Cluster and provide that information to the Business Manager. The Business Manager will then review the report with the Superintendent and both with sign off on the report that it was checked for accuracy.

Finding 2015-002 – Controls over Child Nutrition Cluster

Contact Person Responsible for Corrective Action: Carol Schaaf
Contact Phone Number: 317-878-2106

Effective immediately Nineveh Hensley Jackson USC will implement a plan to ensure accuracy of annual financial reports and the annual verification reports. They are created by the Food Service Director and reviewed by the Business Manager and/or Superintendent. This is in our Internal Controls Manual on page 101 which was board approved December 13, 2016.

Finding 2015-03 – Control Over Title I Grants to Local Educational Agencies

Contact Person Responsible for Corrective Action Plan: Debra Carter
Contact Phone Number: 317-878-2100

Current practice requires two signatures on the reimbursement reports for Title I. Each month the Business Manager creates the reimbursement report and reviews it with the Deputy Treasurer for accuracy. Both initial the report when submitted and again when the reimbursement is received.



NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION

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Indian Creek Schools

Finding 2015-04 – Internal Controls over the Special Education Cluster

Contact Person Responsible for Corrective Action Plan: Debra Carter

Contact Phone Number: 317-878-2100

Current practice includes receiving reports from Johnson County Special Services so those grants can be included on our SEFA report. This issue has already been corrected at Johnson County Special Services.

Anticipated Completion Date: August 30, 2017

Debra E. Carter

(Signature)

Business Manager
(Title)

August 29, 2017
(Date)

NINEVEH-HENSLEY-JACKSON UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2017, with Debra E. Carter, Treasurer; Dr. Timothy Edsell, Superintendent of Schools; and Greg Waltz, President of the School Board.