

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

NORTH JUDSON-SAN PIERRE
SCHOOL CORPORATION
STARKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED

09/26/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Guy Richie	07-01-14 to 07-31-18
Superintendent of Schools	Lynn Johnson (Vacant) Dr. Robert Boyd (interim) Dr. Annette Zupin	07-01-14 to 11-27-15 11-28-15 to 12-14-15 12-15-15 to 06-30-16 07-01-15 to 06-30-18
President of the School Board	Patricia Goin Sheila Akers	07-01-14 to 06-30-17 07-01-17 to 06-30-18



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TO: THE OFFICIALS OF THE NORTH JUDSON-SAN PIERRE
SCHOOL CORPORATION, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the North Judson-San Pierre School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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, incorporated within this report, was not verified for accuracy.

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

August 10, 2017

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

Condition

There were deficiencies in the internal control system of the School Corporation related to receipts. There was a lack of segregation of duties since the School Corporation had not separated incompatible activities related to receipts. One individual issued and recorded receipts, prepared the deposits, and took the deposits to the bank. Another individual was to compare the deposits to the daily receipt amounts; however, there was no evidence of this comparison.

Context

The lack of internal controls was a systemic issue throughout the audit period. Of all of the daily receipts tested, none had evidence that they were compared to the bank deposit.

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

The School Corporation had not established a proper system of internal control.

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 and document effective controls, including segregation of duties, to ensure the accuracy of the receipts reported in the financial statement.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-002

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). One employee prepared and submitted the SEFA without oversight, review, or other controls to ensure its accuracy.

Context

The lack of internal controls was a systemic issue for both years of the audit period. The SEFA presented for audit contained the following errors:

1. The State grants expenditures of \$2,957 and \$3,309 for the years ended June 30, 2015 and 2016, respectively, were included in error.
2. The Title I Grants to Local Educational Agencies expenditures were understated by \$23,550 for the year ended June 30, 2015.
3. The Special Education Grants to States expenditures were understated by \$24,490 for the year ended June 30, 2015.
4. The Improving Teacher Quality State Grants expenditures were understated by \$7,737 for the year ended June 30, 2015.
5. The Rural Education expenditures were understated by \$3,758 for the year ended June 30, 2016.

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.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

Criteria

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation 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, including segregation of duties, which will ensure accurate reporting of the SEFA.

Views of Responsible Officials

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

Subject: Internal Controls over Child Nutrition Cluster
Federal Agency: Department of Education
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): FY 14/15, FY 15/16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of finding number 2014-003 from the immediate prior audit year.

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 Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Eligibility (School Breakfast Program and National School Lunch Program)

There were no controls to ensure that the direct certified students were entered into the food service software system, or that when entered, these students were correctly determined to be eligible for free meals.

Reporting

The Cafeteria Treasurer prepared the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Reports. The Food Services Director approved the reports; however, there was no evidence that the reports were reviewed for accuracy prior to submission.

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

There were no controls in place to ensure that the verifications of free and reduced priced applications were accurate. The verifications were completed by the Cafeteria Treasurer without an oversight, review, approval process, or other compensating control to ensure accuracy.

Context

The lack of controls and lack of properly implemented controls was a systemic problem, which occurred throughout the audit period.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not established and implemented an effective internal control structure to ensure compliance with the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish and implement an effective internal control system could have enabled material noncompliance to go undetected. 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 to ensure compliance with 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.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: School Breakfast Program and National School Lunch Program - Cash Management
Federal Agency: Department of Education
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14/15, FY 15/16
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 properly implemented internal controls to ensure that the School Corporation limited their Net Cash Resources in the School Lunch fund to the 3 months average expenditures. In addition, the School Corporation failed to comply with the Cash Management requirements.

Context

The lack of controls and the noncompliance were systemic issues which occurred throughout the audit period. The Net Cash Resources in the School Lunch fund exceeded the 3 months average expenditures in 18 of the 24 months 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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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)."

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 an effective system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2016-005

Subject: Child Nutrition Cluster - Equipment

Federal Agency: Department of Education

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): FY 14/15, FY 15/16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property 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 equipment requirements of the Equipment and Real Property Management compliance requirement.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation failed to comply with the equipment requirement that property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

The School Corporation's asset inventory was conducted by an outside vendor, but was not reviewed by the School Corporation to ensure its accuracy. The latest inventory, dated June 30, 2016, included equipment that had been replaced. The inventory was not updated for new equipment.

Context

This is an isolated instance. There were four pieces of equipment with total acquisition costs of \$80,666, which were not properly updated on the inventory.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.32(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

Cause

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Equipment and Real Property 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 Equipment and Real Property 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 2016-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Education
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): FY 14/15, FY 15/16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Finding: Material Weakness, Other Matters/Modified Opinion

NORTH JUDSON-SAN PIERRE 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 Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement. 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. There were no procedures in place to ensure compliance with any transactions subject to the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 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 2016-007

Subject: Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and
Special Education Cluster (IDEA) - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food
Service Program for Children, Title I Grants to Local Educational Agencies, Special
Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 10.553, 10.555, 10.559, 84.010, 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15, FY 15/16,
Tech 14/15
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.

For the School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children, there was at least one employee in each of the payroll periods tested that did not properly document their time to support their wages paid from these federal programs.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

For the Title I Grants to Local Educational Agencies (Title I), eight teachers split their time between Title I and other federal awards or non-federal activities. None of these teachers properly documented their time to support their wages paid from the Title I program.

For the Special Education Grants to States and Special Education Preschool Grants, there were employees in each of the payroll periods tested that did not properly document their time to support their wages paid from these federal programs.

Context

The lack of controls and the noncompliance were systemic issues, which occurred throughout the audit period and across multiple federal programs. For each pay period tested, the School Corporation failed to properly document personnel expenses to support the wages paid from the federal programs noted above.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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.

(a) More than one Federal award,

(b) A Federal award and a non-Federal award, . . ."

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS) . . ."

Cause

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and 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 Allowable Costs/Cost Principles 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 2016-008

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): FY 13/14, FY 14/15, FY 15/16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

NORTH JUDSON-SAN PIERRE 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 Reporting compliance requirement.

There were no controls in place to ensure that the Final Expenditure Reports were accurate prior to submission.

Context

The lack of controls was a systemic problem, which occurred throughout, and applied to all of the Final Expenditures Reports submitted 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not established an effective system of internal controls to ensure compliance with the Reporting requirements.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. 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.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance 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 2016-009

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): FY 13/14, FY 14/15, FY 15/16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation designed a system of internal controls to ensure compliance; however, the controls were not properly implemented. The controls did not ensure compliance and did not ensure that supporting documentation that would have demonstrated compliance was retained.

The School Corporation did not comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. Supporting documentation was not retained for withdrawn students as required by the Indiana Department of Education (IDOE). Additionally, five students were removed from the graduation cohort for a reason that was not an approved mobility reason by the IDOE.

Context

The lack of properly implemented controls and the noncompliance were systemic issues, which occurred throughout the audit period. Of the students listed on the 2015 and 2016 Graduation Cohort Status Report as mobile that were tested, 94 percent did not have the proper documentation retained to support their removal from the cohort. Five students were removed from the Graduation Cohort Status Report for an unapproved mobility reason.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

34 CFR 200.19(b)(1)(ii)(B) states:

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

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

Cause

The School Corporation had not properly implemented an effective system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2016-010

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): FY 13/14, FY 14/15, FY 15/16,
Tech 14/15

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 internal controls to ensure that the Quarterly Monitoring Report for Proportional Shares for Non-Public Schools report was accurate prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of controls was a systemic problem which occurred throughout the audit period and applied to all of the Quarterly Monitoring Report for Proportional Shares for Non-Public Schools submitted 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. . . ."

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not established an effective system of internal controls to ensure compliance with the Reporting requirement.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. 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 to ensure compliance 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 2016-011

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): FY 13/14, FY 14/15, FY 15/16,
Tech 14/15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

NORTH JUDSON-SAN PIERRE 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 earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation had not designed or implemented internal controls to monitor the proportionate share of expenditures for Special Education students that attended the nonpublic school.

Context

The lack of controls was a systemic problem. There were no procedures in place to monitor the proportionate share of expenditures for nonpublic school students.

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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. 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.

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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



NORTH JUDSON-SAN PIERRE

SCHOOL CORPORATION

801 Campbell Drive • North Judson, IN 46366 • Ph (574) 896-2155 • Fax (574) 896-2156

Dr. Annette Zupin
Superintendent

July 31, 2017

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

The NJ-SP Treasurer receives receipts daily, assigns appropriate account codes, prepares deposits and takes deposits to the bank. A copy of all forms of payments are made and given to the Administrative Assistant who reconciles the bank and matches all deposits back to the original payment documentation copies that were photo-copied on each day that deposits were made.

Description of Corrective Action Plan:

The School Corporation will implement internal controls to oversee that the daily bank deposit book is reviewed and initialed, by a second individual, to confirm that the daily receipts match the amount that was deposited into the school corporation bank account.

FINDING 2016-002

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Currently the SEFA report is being prepared and submitted by one individual. NJ-SP will train a second individual on SEFA practices and have a second review and an approval of all future SEFA reports.

Description of Corrective Action Plan:

The School Corporation will implement internal controls to oversee that the SEFA report is prepared by one individual and then thoroughly reviewed and approved by a second individual.

FINDING 2016-003

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Description of Corrective Action Plan:

The School Corporation will implement internal controls to oversee that the Food Service Program is reviewed by at least two persons familiar with the Food Service Program.

FINDING 2016-004

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Until NJ-SP was notified by IDOE, we were unaware that a fund could have too high of a cash balance amount. Upon notification, we contacted the IDOE, and provided them with a written plan of how NJ-SP intended to get the cash revenue down to the allowed three month expenditure average. We have purchased new equipment for the cafeteria along with just recently, July 1, 2017, increasing the salary rates for the NJ-SP Food Service employees.

Description of Corrective Action Plan:

The NJ-SP School Corporation is monitoring the three month expenditure average on a regular basis. The School Corporation has recently increased employee salaries that will become implemented upon the Food Service employees returning to work in August of 2017. The School Corporation will continue to find other ways to increase the expenditures that may include more equipment purchases, additional required employees, or different food supplies.

FINDING 2016-005

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

In 2016, the NJ-SP School Board approved of purchasing new food service equipment. This equipment included a steamer, freezers, and walk-in cooler. This new equipment was installed and the old equipment was removed. During June of 2017, a fixed asset inventory was conducted by an independent company for the entire NJ-SP School Corporation. When the new food service equipment arrived, they were never added to the school inventory, nor the old items removed from the inventory. Whenever, the inventory was conducted, the inventory company entered the new equipment as the old equipment, since they looked alike being stainless steel, along with not being informed of the new

equipment additions and the old equipment deletions. This created a discrepancy in the audit, although the new items were in possession and use by NJ-SP, along with the old items being removed from NJ-SP.

Description of Corrective Action Plan:

NJ-SP will contact the fixed asset company in the future regarding all items that may be added or removed from the corporation inventory. The fixed asset report will be reviewed to confirm that the items listed on the inventory report are the current NJ-SP School Corporation fixed assets.

FINDING 2016-006

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Description of Corrective Action Plan:

In the future, the NJ-SP School Corporation will have a clause in contracts regarding that any vendor who is disbarred, disqualified, or suspended will not be eligible to participate in any contracts involving federal Assistance programs.

FINDING 2016-007

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Time sheets were created for personnel to designate the daily and weekly hours that they work. The time sheets need to be updated to include sections to distinguish work times for federal and non-federal work. As for teachers who work in federal and non-federal paid positions, time sheets also need to be maintained, signed by employee, and supervisor. The NJ-SP Central Office should also be provided, in writing, all positions that will be split-funded and have prior superintendent approval, upon confirming the positions are required and that adequate funding has been appropriated.

Description of Corrective Action Plan:

The NJ-SP School Corporation will implement time recording systems for employees to record their time working in federal and non-federal positions. These times will then be signed as true by the employee, reviewed and confirmed by the immediate supervisor. The corporation payroll employee will also review all amounts being entered for split pay positions. The payroll manager will notify the appropriate supervisors whenever inadequate record keeping is being submitted.

FINDING 2016-008

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Currently, the Treasurer prepares all final report information, and then presents to second person with an overview and documentation of all fund receipt and expenditure information.

Description of Corrective Action Plan:

In future will provide information to a second person to conduct a further extensive review of all the financial transactions involved in the course of the grant period that total all grant activity.

FINDING 2016-009

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Description of Corrective Action Plan:

In the future, the NJ-SP School Corporation will create and maintain a more accurate documentation system for special test provisions, report card, and high school graduation rate.

FINDING 2016-0010

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

The NJ-SP School Corporation will establish controls so that two NJ-SP employees are monitoring all Proportionate and Quarterly Reports.

FINDING 2016-0011

Contact Person Responsible for Corrective Action: Guy Richie

Contact Phone Number: 574-896-2155 ext. #504

Views of Responsible Official:

Description of Corrective Action Plan:

The NJ-SP School Corporation will establish internal controls to make sure that compliance measures are maintained for the matching, level of effort, and earmarking compliance level.

Anticipated Completion Date: July 31, 2018

Myu Richie
(Signature)

Treasurer
(Title)

7-31-17
(Date)

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

The School Corporation had not properly maintained a complete inventory of capital assets owned. The capital asset record presented for audit was incomplete and not reflective of the assets owned by the School Corporation.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

NORTH JUDSON-SAN PIERRE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2017, with Guy Richie, Treasurer; Dr. Annette Zupin, Superintendent of Schools; and Sheila Akers, President of the School Board.