

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WEST CENTRAL SCHOOL CORPORATION

PULASKI COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
11/30/2017



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela S. Ledford	07-01-14 to 06-30-18
Superintendent of Schools	Don Street	07-01-14 to 06-30-18
President of the School Board	Jim Bergens David Allen Jeff Lowry	01-01-14 to 12-31-15 01-01-16 to 05-06-16 05-07-17 to 12-31-17



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE WEST CENTRAL SCHOOL  
CORPORATION, PULASKI COUNTY, INDIANA

This report is supplemental to our audit report of the West Central 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 that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

October 16, 2017

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a partial repeat of Finding 2014-001 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.

The School Corporation had not separated incompatible activities related to cash and investments, receipts, and disbursements within the School Lunch fund. The School Lunch fund was accounted for within an extracurricular account. Transactions involving cash and investments, receipts, and disbursements were completed by one employee, the Extracurricular Treasurer. A proper system of oversight or review was not established.

*Context*

The lack of adequate internal controls was a systemic issue, which occurred throughout the audit period.

*Criteria*

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

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

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

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

*Cause*

Management of the School Corporation had not established a proper system of internal controls.

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

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

*Recommendation*

We recommended that the School Corporation establish a system of internal controls to ensure that School Lunch fund financial transactions are properly recorded and accurately reported.

*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: Child Nutrition Cluster - Eligibility, Equipment and Real Property Management, Reporting and National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

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): FY 2015, FY 2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Equipment and Real Property Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

*Repeat Finding*

This is a partial repeat of Finding 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, Equipment and Real Property Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Eligibility*

The School Corporation collected Free and Reduced Price Lunch Applications manually. The Food Service Director inputted the application in the software system which determined eligibility. A system of review or oversight was not established to verify that Free and Reduced Price Lunch Applications were accurately entered into the software system.

WEST CENTRAL SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Equipment and Real Property Management*

A proper system of review or oversight was not established to ensure that equipment purchased with program funds was accurately recorded in the Capital Asset Records. An inventory was given to the Cafeteria Manager; however, there was no evidence of a review to determine if it was accurate.

*Reporting*

One person prepared and submitted the Annual Financial Report, the School Food Authority (SFA) Verification Collection Report, and the Sponsor Claims (claims for reimbursement) without a proper system of oversight or review.

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

The Food Service Director performed the verifications of free and reduced price meal applications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review.

*Context*

This is a systemic problem, as there was no system of oversight or review 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over 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 that would have ensured compliance with the compliance requirements listed above.

WEST CENTRAL 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 requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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 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 2016-003**

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): FY 2015, FY 2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Noncompliance/Qualified Opinion

*Repeat Finding*

This is a repeat of Finding 2014-004 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 Cash Management compliance requirement. The School Corporation did not monitor the Net Cash Resources of the School Lunch fund to ensure that the amount did not exceed the three months average expenditures.

*Context*

The three months average expenditures during fiscal years 2014-2015 and 2015-2016 were \$151,235 and \$153,298, respectively. The Net Cash Resources of the School Lunch fund exceeded these amounts for every month within the audit period.

Although the School Corporation submitted a plan to reduce the excess resources to the Indiana Department of Education, it was submitted subsequent to the audit period.

WEST CENTRAL 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 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)."

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's management had not developed a 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 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 Cash Management compliance requirement.

WEST CENTRAL 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 2016-004**

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): 14214-051-PN01, 14215-051-PN01,  
14216-049-PN01, 4715-051-PN01,  
4716-049-PN01, FY 2013, FY 2014

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Noncompliance/Qualified Opinion

*Repeat Finding*

This is not a repeat finding 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 Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not perform any procedures to ensure compliance with requirements regarding verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

This is a systemic issue, which occurred throughout the audit period. No verification procedures were performed for any of the contracted vendors paid from the grants.

*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. . . ."

WEST CENTRAL 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 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 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 to ensure compliance with the Suspension and Debarment requirements of 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 Suspension and Debarment requirements of 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.

Phone 219-567-9161  
Fax 219-567-9761

**CORRECTIVE ACTION PLAN**

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Corporation Treasurer, Food Service Director, and Superintendent  
Contact Phone Number: 219 – 567- 9161

**Views of Responsible Official:**

A proper system of oversight or review is important and needed.

**Description of Corrective Action Plan:**

The School Lunch Fund has been transferred to the administration office.  
The School Corporation has separated incompatible activities related to cash and investments, receipts, and disbursements within the School Lunch Fund.

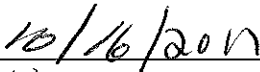
Anticipated Completion Date: Completed.



\_\_\_\_\_  
(Signature)



\_\_\_\_\_  
(Title)



\_\_\_\_\_  
(Date)

# West Central School Corporation

117 E. Montgomery Street  
P.O. Box 578  
Francesville, IN 47946

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Phone 219-567-9161  
Fax 219-567-9761

## FINDING 2016-002

Contact Person Responsible for Corrective Action: Corporation Treasurer, Food Service Director, Building Principals, Cafeteria Managers, and Superintendent  
Contact Phone Number: 219 – 567- 9161

### Views of Responsible Official:

An effective internal control system must be in place in order to ensure compliance with requirements related to the grant agreement and the Eligibility, Equipment, and Real Property Management, Reporting, and Special Tests and Provisions – Verification of Free and Reduced Price Applications compliance requirements.

### Description of Corrective Action Plan:

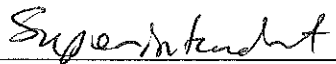
The Food Service Director will perform the verification of free and reduced price meal applications and make the determination of whether or not a change in eligibility is necessary. After the Food Service Director completes the task, the high school principal will verify. The principal’s signature will appear on the form. After the principal verifies, a designated central office employee will verify and sign the document.

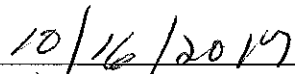
The Food Service Director will record equipment purchased with program funds on the Capital Asset Record. The Cafeteria Manager and building principal will verify that the equipment purchased is in place and on the Capital Asset Record by initialing the Capital Asset Record. The Capital Asset Record will be forwarded to the central office where it will be compared to the approved requisition list. The purchase will then be recorded by the central office designee into the official yearly Capital Asset Report.

The treasurer will review and initial a hard copy the Annual Financial Report that is prepared by the Food Service Director.

Anticipated Completion Date:  
January 2018

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

# West Central School Corporation

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Phone 219-567-9161  
Fax 219-567-9761

## FINDING 2016-003

Contact Person Responsible for Corrective Action: Corporation Treasurer, Food Service Director, and Superintendent

Contact Phone Number: 219 – 567- 9161

### Views of Responsible Official:

The Corporation will continue to work toward the end goal of the required three (3) month average cash balance.

### Description of Corrective Action Plan:

The food service director and treasurer will review the three (3) month average expenditures in compliance with Cash Management requirements.

A review of the internal control system will be conducted.

The food service director, treasurer, and superintendent will monitor the fund report every month to see the progress toward the three (3) month average cash balance.

### Anticipated Completion Date:

July 1, 2018

Don Street  
(Signature)

Superintendent  
(Title)

10/16/17  
(Date)

# West Central School Corporation

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Francesville, IN 47946

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Phone 219-567-9161  
Fax 219-567-9761

FINDING 2016-004

Contact Person Responsible for Corrective Action: Pam Ledford, Corporation Treasurer  
Contact Phone Number: 219 – 567- 9161

Views of Responsible Official:

An effective internal control system is understandable.

Description of Corrective Action Plan:

West Central is no longer the LEA for the Special Education Cluster (IDEA).

Anticipated Completion Date:  
Completed

Don Street  
(Signature)

Superintendent  
(Title)

10/16/17  
(Date)

WEST CENTRAL SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2017, with Pamela S. Ledford, Treasurer; Don Street, Superintendent of Schools; Jeff Lowry, President of the School Board; and Bonnie Kuebcke, Deputy Treasurer.