

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT

DEKALB COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
01/11/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Lance Brauchla Stephen W. Snider | 07-01-14 to 07-31-14 08-01-14 to 12-31-17 |
| Superintendent of Schools | Dr. Sherry L. Grate Steven Teders | 07-01-14 to 06-30-15 07-01-16 to 06-30-18 |
| President of the School Board | Jay A. Baumgartner Bruce L. Buttermore | 01-01-14 to 12-31-15 01-01-16 to 12-31-17 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE DEKALB COUNTY CENTRAL UNITED
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the DeKalb County Central United School District (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 Results and Comments 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 Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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

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

November 27, 2016

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS

FINDING 2016 - 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 audit. The prior finding number was 2014-002.

Condition

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for government units (Gateway), which is a financial reporting system used to compile the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA contained the following errors:

1. The Commodities for the National School Lunch Program were omitted.
2. The Summer Food Service Program for Children was omitted.
3. The Special Education Cluster (IDEA) grants were omitted.
4. The English Language Acquisition State Grants was omitted.
5. The Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) was over reported.

The net amount underreported on the SEFA for fiscal year 2014-2015 was \$1,101,899 and for fiscal year 2015-2016 was \$1,074,334.

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.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
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. . . ."

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.
- (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."

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. . . ."

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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:

- (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

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
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: Child Nutrition Cluster - 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): FY14-15, FY15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior finding number was 2014-005.

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.

There were no controls in place to ensure that the School Lunch fund net cash resources did not exceed the three months average expenditures.

Context

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

Criteria

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

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

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). . . ."

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls that would have segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the 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 -003

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY14-15, FY15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior finding number was 2014-006.

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.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

The Annual Financial Report (AFR) filed at the end of the year with the Indiana Department of Education Division of School and Community Nutrition Services did not match the School Corporations financial records. The fiscal year 2014-2015 AFR expenditures were overstated by \$3,796 and the beginning fund balance was overstated by \$66,548. Due to the beginning fund balance and expenditures being overstated, the ending fund balance was overstated by \$66,749. The fiscal year 2015-2016 AFR income was overstated by \$33,921 and the beginning fund balance was overstated by \$66,749. Due to the beginning fund balance and income being overstated, the ending fund balance was overstated by \$96,667.

Context

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

Criteria

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

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

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 3016.20(b) states in part:

". . . The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

2 CFR 200.302 states in part:

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

Cause

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected, which 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, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2016-004

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-046-PN01, 14214-046-PN01
14215-046-PN01, 99914-46-TA01,
14216-046-PN01, 45715-046-PN01,
45716-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Condition

The School Corporation was a member of the Northeast Indiana Special Education Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school of the Cooperative. The member schools of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a Fiscal Agent, who was responsible for the accounting records of the Cooperative. The Fiscal Agent of the Cooperative spent the federal money on behalf of the School Corporation and other member schools and was responsible for following the compliance requirements related to Allowable Costs/Cost Principles.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Because the grant agreements are between the IDOE and each member of the Cooperative, each member school is ultimately responsible for ensuring compliance with the requirements. The Fiscal Agent had not implemented adequate controls to ensure that Semi-Annual Certifications prepared were properly signed by the Special Education Director.

Context

The Semi-Annual Certifications were not all properly signed by the Special Education Director.

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 8(h)(3) states:

"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."

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

- (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) . . .

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

Management of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and could allow 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 management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

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: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-1835, 15-1835, 16-1835

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Special Tests and Provisions - Comparability, Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
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 following compliance requirements: Eligibility, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

- (1) Eligibility: The Title I Literacy Coordinator at each Title I school prepared the Student Selection Data report (report). This report was not reviewed by the school Principal or other person with knowledge of the selection data.
- (2) Special Tests and Provisions - Comparability: The Title I Program Administrator completed the comparability reports; however, there was no evidence of an oversight, review or approval process.
- (3) Special Tests and Provisions - Annual Report Card, High School Graduation Rate: Mobility documentation was maintained for students that were mobile; however, there was no evidence of review of these documents by a supervisor.

Context

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

Criteria

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

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

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 developed a system of internal controls that would have segregated key functions.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
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 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 program.

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 2016-006

Subject: Title I Grants to Local Educational Agencies - Cash Management

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-1835, 15-1835, 16-1835

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion - Scope Limitation

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior finding number was 2014-003.

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.

Financial records for Title I Grants to Local Educational Agencies funds included journal entries reclassifying expenditures from other funds. The detail of expenditures for these journal entries was not available for testing; therefore, the amounts requested for reimbursement could not be completely substantiated.

Context

The lack of substantial detail of transactions was a systemic issue throughout the audit period.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
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 80.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

Cause

The School Corporation had not established effective internal control processes and procedures to ensure that reimbursement request vouchers were approved and supporting documentation for the amount requested was available for audit.

Effect

The failure to maintain and make available for audit appropriate supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that supporting documentation was maintained and made available for audit relating to the grant agreement and 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 2016-007

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): 14-1835, 15-1835, 16-1835
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion - Scope Limitation

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior finding number was 2014-003.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Condition

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

Reimbursement reports filed with the Indiana Department of Education were not supported by the School Corporation's records, therefore, the amounts requested for reimbursement could not be completely substantiated.

The Final Expenditure Reports presented for audit were supported by the School Corporation's records; however, there was no evidence of review by a responsible official.

The requests for reimbursement for fiscal year 2014-2015 and fiscal year 2015-2016 were all presented for audit and all showed evidence of review; however, the review did not prevent the lack of adequate supporting documentation of the amount requested.

Context

The lack of substantial detail of transactions was a systemic issue throughout the audit period.

Criteria

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

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

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 80.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:"

(2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

Cause

The School Corporation had not developed an effective system of internal controls to ensure that supporting documentation of reimbursement requests were maintained and made available for audit.

Effect

The failure to maintain and make available for audit supporting documentation of reimbursement requests prevented the determination of the School Corporation's compliance with the grant agreement and the compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that supporting documentation is maintained and made available for audit related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-1835, 15-1835, 16-1835
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion - Scope Limitation

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior finding number was 2014-003.

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.

Time and effort reporting and Semi-Annual Certifications were not prepared for all employees who were paid either partially or solely from Title I funds. In addition, the time and effort reporting and Semi-Annual Certifications that were prepared were not consistently signed by the employee's supervisor.

Additionally, the financial records for Title I funds included journal entries reclassifying expenditures from other funds. The detail of expenses for some of these journal entries was not available for testing; therefore, the time and effort reporting and Semi-Annual Certifications could not be completely substantiated.

Context

The lack of time and effort reporting and Semi-Annual Certifications preparation and supervisor signatures was a systemic issue 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. . . ."

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
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). . . ."

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

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

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

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

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

- (i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;
- (ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and
- (iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances. . . ."

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) . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month."

34 CFR 80.20 states in part:

"(a) A State must expand and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to: . . .

- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

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

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

Cause

Management had not developed a system of internal controls to ensure that time and effort reporting and Semi-Annual Certifications were prepared and signed by supervisors for all employees.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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



CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Steve Snider, CFO
Contact Phone Number: 260-920-1011
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The CFO currently completes the Annual Financial Report, which includes the SEFA. An additional party will review the AFR, along with a copy of prior audit findings (to be aware of past problems) prior to submission. The CFO will contact state officials to determine what can be done regarding the submitted 2016-17 AFR.

Anticipated Completion Date: August 2018

FINDING 2016-002

Pass Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Steve Snider, CFO & Ashlee Baron, Food Service Director
Contact Phone Number: 260-920-1011
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

There are controls in place for reconciling the bank account, but we will place a simple sign-off procedure in place to assure the cash balance is less than three months of average expenses.

Anticipated Completion Date: December 2017

FINDING 2016-003

Pass Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Steve Snider, CFO & Ashlee Baron, Food Service Director
Contact Phone Number: 260-920-1011
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Ongoing development will occur related to this non-compliance. The rollover of a beginning balance make it difficult to correct the current AFR errors. We will work with the state to identify a method to correct this ongoing error.

Anticipated Completion Date: August 2018



FINDING 2016-004

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Steve Snider, CFO & Lori Vaughn, Asst Sup

Contact Phone Number: 260-920-1011

Views of Responsible Official: We concur with the finding, but disagree that each member school should be assessed a finding as this is the responsibility of the LEA

Description of Corrective Action Plan: We will require DeKalb Eastern, as the LEA for NorthEast Indiana Special Education Cooperative, to complete and send copies of proper semi-annual certifications.

Anticipated Completion Date: June 2018

FINDING 2016-005

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Steve Snider, CFO & Lori Vaughn, Asst Sup

Contact Phone Number: 260-920-1011

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Establish additional procedures to have segregation of duties where an additional source is reviewing things such as student selection data, comparability reports, mobility documentation and the like.

Anticipated Completion Date: March 2018

FINDING 2016-006

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Steve Snider, CFO

Contact Phone Number: 260-920-1011

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: A grant secretary was added after June 2016 and now strengthening our records, in addition to compiling detail for any reclass journal entries.

Anticipated Completion Date: December 2017

FINDING 2016-007

Pass Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Steve Snider, CFO

Contact Phone Number: 260-920-1011

Views of Responsible Official: We concur with the finding



Description of Corrective Action Plan: A grant secretary was added after June 2016 and now strengthening our records, in addition to compiling detail for any reclass journal entries.

Anticipated Completion Date: December 2017

FINDING 2016-008

Pass Through Entity: Indiana Department of Education


Contact Person Responsible for Corrective Action: Steve Snider, CFO & Lori Vaughn, Asst Sup

Contact Phone Number: 260-920-1011

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The grant administrator will work with all Title I personnel to assure Time & Effort Logs and Semi-Annual Certifications are completed.

Anticipated Completion Date: June 2018



Stephen W. Snider
Chief Financial Officer

11/20/17

Date



DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS

RECONCILEMENT OF DETAIL TO CONTROL

The Supplemental Nutrition Assistance Program (SNAP) Historical Balances Report of individual student food service account balances did not agree with the School Corporation's financial ledger Prepaid Food fund balance at June 30, 2015 and 2016. For June 30, 2015, the SNAP report had \$22,478 of student food service account balances and the financial ledger Prepaid Food fund balance was \$3,051. For June 30, 2016, the SNAP report had \$25,302 of student food service account balances and the financial ledger Prepaid Food fund balance was \$34,979.

The same comment also appeared in prior Report B45736.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SUPPLEMENTAL SCHEDULES

Supplemental Schedules are required to be reported annually on the Gateway reporting system. The following supplemental schedules contained errors as noted below:

- (1) The School Corporation did not report any of its payables and receivables for June 30, 2016, nor did they maintain documentation of any payables and receivables totals.
- (2) The School Corporation reported debt; however, there were various corrections required to accurately report the June 30, 2016, amounts.
- (3) The School Corporation reported its capital assets for June 30, 2016; however, they did not maintain detailed documentation of capital assets. The amounts reported as of June 30, 2016, are the same amounts that were reported in the prior audit report for June 30, 2014.

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement And Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2016, that were not related to a reimbursable grant fund.

| Fund | Amount Overdrawn |
|-------------------------|---------------------|
| State General Fund Loan | \$ 3,208 |
| Pre-School Program | 12,495 |

The same comment also appeared in prior Report B45736.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

DEKALB COUNTY CENTRAL UNITED SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2017, with Stephen W. Snider, Treasurer; Lori Vaughn, Assistant Superintendent of Schools; Bruce L. Buttermore, President of the School Board; and Steven Teders, Superintendent of Schools.