

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTHWEST ALLEN COUNTY SCHOOLS

ALLEN COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
03/28/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julianne Striggle	07-01-15 to 06-30-18
Superintendent of Schools	Christopher A. Himsel	07-01-15 to 06-30-18
President of the School Board	Ronald Felger Kent Somers	01-01-15 to 12-31-15 01-01-16 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHWEST ALLEN COUNTY SCHOOLS, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of the Northwest Allen County Schools (School Corporation), for the period from July 1, 2015 to June 30, 2017. 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

March 19, 2018

NORTHWEST ALLEN COUNTY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2017-001***

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

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-001.

*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). Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA occurred.

*Context*

The SEFA contained the following errors: The Child Nutrition Cluster program was overstated in fiscal year 2016 due to a reporting error by \$2,065,689 and understated due to the omission of some commodities for fiscal year 2016 by \$951 and for fiscal year 2017 by \$27,000. The Special Education Cluster (IDEA) was understated in expenditures in fiscal year 2016 by \$145,833. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

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

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

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

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

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. . . ."

NORTHWEST ALLEN COUNTY SCHOOLS  
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 related to the preparation of the SEFA.

NORTHWEST ALLEN COUNTY SCHOOLS  
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 2017-002**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Education Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 15-225, 16-225, 17-225  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Comparability  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-003.

*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 Special Tests and Provisions - Comparability compliance requirement.

*Context*

There were no controls in place to ensure that the required Comparability reports were accurate. Reports were prepared and filed by the Title I Program Administrator with no other review, oversight or approval process, or any other compensating control. The lack of controls was a systematic problem, occurring throughout the audit period.

*Criteria*

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 that segregated key functions.

NORTHWEST ALLEN COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the 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 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 2017-003**

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Education Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 15-225, 16-225, 17-225  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-004.

*Condition*

Semi-Annual Certifications or other documentation of personnel expenses were not prepared for all employees who were paid solely from Title I funds. In addition, Time and Effort Reporting logs or other documentation of personnel expenses that were prepared for employees who were paid partially from Title I funds did not reflect the total activity for which the employee was compensated.

*Context*

The lack of Semi-Annual Certifications and Time and Effort Reporting logs or other documentation of personnel expenses preparation was systemic throughout the audit period.

NORTHWEST ALLEN COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Criteria*

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 200.430(h)(8)(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; . . .
- (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."

*Cause*

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

*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.

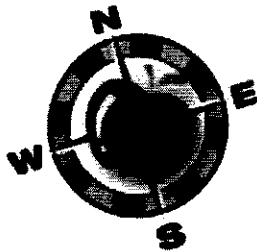
NORTHWEST ALLEN COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that supporting documentation was maintained and made available for audit related to 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.



# Northwest Allen County Schools

13119 Coldwater Road, Fort Wayne, Indiana 46845

Phone: (260) 637.3155

Fax: (260) 637.8355

March 7, 2018

## CORRECTIVE ACTION PLAN

### Finding 2017-001


Contact Person Responsible for Corrective Action: Julianne Striggle, Treasurer and Bill Mallers, Business Manager  
260-637-3155


Federal Agency: Department of Education  
Federal Program(s): Child Nutrition Cluster

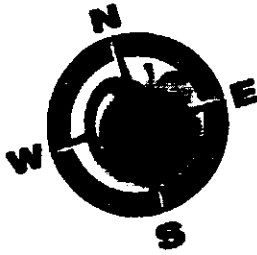
CFDA Number: None  
Federal Award Year: FY 2015-16  
Pass-through Entity: Indiana Department of Education

### Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with Finding 2017-001. A system of internal controls will be established to assure the reliability of financial records and to ensure accurate reporting of federal awards by June 30, 2018.

  
\_\_\_\_\_  
Christopher A. Himsel  
Superintendent

  
\_\_\_\_\_  
Bill Mallers  
Business Manager



# Northwest Allen County Schools

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March 7, 2018

## CORRECTIVE ACTION PLAN

### Finding 2017-002


Contact Person Responsible for Corrective Action: Dr. Gloria Shamanoff, Title I Program  
Administrator  
260-637-3155

Federal Agency: Department of Education  
Federal Program(s): Title I Grants to Local Educational Agencies

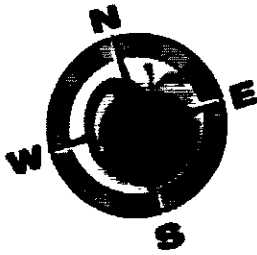
CFDA Number: 84.010  
Federal Award Year: FY 2015-16, FY 2016-17  
Pass-through Entity: Indiana Department of Education

### Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with Finding 2017-002. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement and special tests and provisions – comparability requirements by June 30, 2018.

  
\_\_\_\_\_  
Christopher A. Himsel  
Superintendent

  
\_\_\_\_\_  
Bill Mallers  
Business Manager



# Northwest Allen County Schools

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March 7, 2018

## CORRECTIVE ACTION PLAN

### Finding 2017-003

Contact Person Responsible for Corrective Action: Dr. Gloria Shamanoff, Title I Program Administrator  
260-637-3155

Federal Agency: Department of Education  
Federal Program(s): Title I Grants to Local Educational Agencies

CFDA Number: 84.010  
Federal Award Year: FY 2015-16, FY 2016-17  
Pass-through Entity: Indiana Department of Education

### Corrective Action:

Northwest Allen County Schools will make every reasonable effort to comply with Finding 2017-003. A system of internal controls will be established including the segregation of duties to ensure compliance with the grant agreement, Time and Effort and Semi-Annual Certifications requirement by June 30, 2018.

Christopher A. Himsel  
Superintendent

Bill Mallers  
Business Manager

NORTHWEST ALLEN COUNTY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2018, with Julianne Striggle, Treasurer; William C. Mallers, Business Manager; Christopher A. Himsel, Superintendent of Schools; and Elizabeth Hathaway, Vice President of the School Board.