

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH NEWTON SCHOOL CORPORATION

NEWTON COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED

03/29/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marci Hall	01-01-15 to 12-31-18
Superintendent of Schools	K. Todd Rudnick Casey Hall	07-01-15 to 12-31-17 01-01-18 to 06-30-18
President of the School Board	Robert Lane Amanda Berenda	01-01-15 to 12-31-16 01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL
CORPORATION, NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of the South Newton School Corporation (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 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.

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

February 15, 2018

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to Cash and Investments, Receipts, Disbursements, and Financial Reporting.

Context

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

Cash and Investments

The Payroll/Personnel Manager independently prepared the reconciliements of the cash and investment balances. There was no segregation of duties, such as an oversight, review, or approval process.

Receipts

The Treasurer issued receipts, recorded receipts, and took deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

Disbursements

The Treasurer independently prepared claims, recorded claims, and issued and mailed checks to vendors. There was no segregation of duties, such as an oversight, review, or approval process.

The Payroll/Personnel Manager entered all payroll related activities into the payroll system. There was no segregation of duties, such as an oversight, review, or approval process.

Financial Reporting

The Treasurer prepared and submitted the Form 9 financial reports (reports) to the Indiana Department of Education. The reports were signed by the President of the School Board and the Superintendent of Schools. However, the School Corporation stated that no supporting documentation was presented for the review. There was no documented review of the supporting documentation to ensure the accuracy of the reports prior to submission.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

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

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

Cause

The School Corporation had not established a proper system of internal control that segregated key functions.

Effect

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

Recommendation

We recommended that the School Corporation's management establish and document effective controls, including segregation of duties, to ensure the accuracy of Cash and Investments, Receipts, and Disbursements, and Financial Reporting.

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

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-002.

Condition

The School Corporation had not established or implemented an effective system of internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which is the source for the SEFA. One employee prepared and submitted the grant information without an oversight or review process to detect and correct errors before submission.

Context

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

1. The Child Nutrition Cluster expenditures did not include commodities of \$32,497 and \$39,064 for the 2015-2016 and 2016-2017 fiscal years, respectively.
2. The Special Education Cluster (IDEA) expenditures were understated by \$106,492 for the 2016-2017 fiscal year.
3. The English Language Acquisition State Grants expenditures were understated by \$6,507 and \$2,583 for the 2015-2016 and 2016-2017 fiscal years, respectively.

Audit adjustments were proposed and 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. . . .

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes:

- Accurate and timely recording of transactions. . . ."

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

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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*.

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: School Breakfast Program and National School Lunch Program - Program Income, 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
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Program Income, Special Test and Provisions - Verification Free and Reduced Price Applications (NSLP)
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

The School Corporation had not established an effective internal control system related to the grant agreement and the Program Income and Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Program Income

The School Corporation had not designed or implemented adequate policies and procedures to ensure that all of the collections received for sales of meals were properly deposited and recorded into the School Lunch fund.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation had not established effective controls to ensure that verifications were properly performed. 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

The lack of internal controls was a systemic issue throughout the audit period.

SOUTH NEWTON SCHOOL CORPORATION
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). . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Program Income and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Program Income and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

FINDING 2017-004

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: 10553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

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 had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in accordance with the Cash Management compliance requirement.

The School Corporation did not comply with the Cash Management compliance requirement. The School Lunch fund balances exceeded three months average expenditures throughout the audit period.

Context

The lack of controls and noncompliance were systemic issues. The net cash resources in the School Lunch fund exceeded the three months average expenditures for all 24 months of the audit period. The average excess balances were \$186,267 and \$189,900 for the 2015-2016 and 2016-2017 fiscal years, respectively.

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 and the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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 resources 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. . . ."

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)."

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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 establish controls to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-005

Subject: School Breakfast Program and National School Lunch Program - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered either by food services personnel or by parents/guardians online. There was no oversight or review to ensure that the information entered into the food service software was accurate.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation also had not established effective controls to ensure that the public announcement of eligibility criteria on the School Corporation's website was complete or that they retained evidence that households were notified of their children's eligibility for benefits.

The School Corporation was unable to provide evidence that they complied with the eligibility requirements regarding the public announcement of eligibility criteria. The information did not include information for children whose parents or guardians become unemployed. They also were not able to provide evidence that parents/guardians were notified of their children's eligibility for benefits.

Context

The lack of controls was a systemic issue throughout the audit period. In addition, letters sent to parents/guardians on the status of their school lunch applications were not retained for either year.

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 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

7 CFR 245.5(a) Public Announcement of the Eligibility Criteria, (1)(vii) states:

"A statement to the effect that children having parents or guardians who become unemployed are eligible for free or reduced price meals or for free milk during the period of unemployment, *Provided*, that the loss of income causes the household income during the period of unemployment to be within the eligibility criteria."

Cause

The School Corporation had not developed a system of internal controls that would have ensured that supporting documentation was complete and maintained for audit to ensure compliance with the Eligibility compliance requirement.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to maintain and provide evidence that households were properly notified of their children's eligibility prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure that their public notice contains all required information and that adequate documentation is maintained for audit regarding the notification of eligibility in compliance with the Eligibility 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 2017-006

Subject: Child Nutrition Cluster - Equipment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Program for Children
CFDA Numbers: 10553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that they maintain records of equipment purchased in whole or in part with federal funds and that they perform a physical inventory of this equipment.

The School Corporation did not comply with the equipment requirements. They did not maintain a list of equipment acquired with federal awards nor did they perform a physical inventory of equipment acquired with federal awards during the audit period.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period.

SOUTH NEWTON SCHOOL CORPORATION
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 200.313(d) states in part:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the projects costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the equipment requirements of the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement 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 establish controls to ensure compliance and comply with the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-007

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

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.

Suspension and Debarment

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not comply with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. They did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. No verification procedures were performed for any of the contracted vendors paid from the grants.

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). . . ."

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 you intend to do business is not excluded or disqualified. You do this by:

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

Cause

The School Corporation 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 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 establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2017-008

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): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-005.

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 Reporting compliance requirement.

There were no controls in place to ensure that required reports were complete and accurate prior to submission or that supporting documentation for certain reports was maintained. The Food Service Director prepared and submitted the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Report (Verification Report) without oversight, review, or approval.

The School Corporation could not provide documentation to support the information on the Verification Report for 2017 school year.

Context

The lack of controls was a systemic issue throughout the audit period. The lack of supporting documentation of the accuracy of the 2017 school year Verification Report was isolated to the 2017 school year.

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 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure that adequate supporting documentation of the information reported in the Verification Report was maintained for audit.

SOUTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure that documentation was maintained and made available for audit relating to 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.

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of financial transactions and reporting. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff and perform dual verification when possible.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to better segregate duties between limited staff regarding the Programs listed above. We will attempt to have dual verification and sign-off on documents.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to more efficiently manage our cash balance regarding the requirement of only maintaining a three month average of expenditures as our cash balance.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to more accurately evaluate applications received for eligibility of benefits. We will attempt to have dual verification and sign-off on documents and retain documents as required.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to attempt to meet the Equipment and Real Property Management compliance requirement.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-007


Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to attempt to meet the Procurement and Suspension and Debarment compliance requirement.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

South Newton School Corporation

13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-008


Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however have a limited number of employees to verify all aspects of this report. This is a repeat finding from 2015 audit because the 2015 audit was not completed until August 2017. The 2017 audit period ended June 30, 2017 and we did not have a chance to correct issues from the 2015 audit.

Description of Corrective Action Plan:

We will review our procedures. All efforts will be given to attempt to meet the Reporting compliance requirement.

Anticipated Completion Date: Immediately



(Signature)

Treasurer

(Title)

February 15, 2018

(Date)

SOUTH NEWTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 15, 2018, with Marci Hall, Treasurer; Amanda Berenda, President of the School Board; Casey Hall, Superintendent of Schools; and Ryan Kindig, Vice President of the School Board.