

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WESTFIELD WASHINGTON SCHOOLS

HAMILTON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**

04/11/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marsha L. Bohannon	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Mark Keen (Vacant) Dr. Sherry Grate	07-01-14 to 03-31-16 04-01-16 to 06-30-16 07-01-16 to 06-30-18
President of the School Board	Tim A. Gardner Duane E. Lutz Daniel D. Degnan	01-01-14 to 12-31-14 01-01-15 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE WESTFIELD WASHINGTON SCHOOLS, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Westfield Washington Schools (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

March 6, 2018

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS

***FINDING 2016-001***

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 2014-001.

*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). Although the School Corporation had procedures in place to provide for a review and approval of information reported on the SEFA, the controls were not effective.

*Context*

The following grants were incorrectly reported on the SEFA:

1. The Child Nutrition Cluster - School Breakfast Program (CFDA# 10.553) was overstated by \$18,063 for fiscal year 2015.
2. The Child Nutrition Cluster - National School Lunch Program (CFDA# 10.555) was overstated by \$121,793 for fiscal year 2015.
3. The Title I Grants to Local Educational Agencies (CFDA# 84.010) was understated by \$55,857 for fiscal year 2015.
4. The Special Education Cluster (IDEA) - Special Education\_Grants to States (CFDA# 84.027) was understated by \$948,961 for fiscal year 2015 and overstated by \$139,808 for fiscal year 2016.
5. The Special Education Cluster (IDEA) - Special Education\_Preschool Grants (CFDA # 84.173) was understated by \$24,172 for fiscal year 2015.
6. The English Language Acquisition State Grants (CFDA# 84.365) was understated by \$997 for fiscal year 2015.
7. The Improving Teacher Quality State Grants (CFDA# 84.367) was understated by \$4,686 for fiscal year 2015.

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:

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

"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. . . ."

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."

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*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* section above.

*Recommendation*

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

*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: 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): 14-3030, 15-3030, 16-3030  
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 2014-002.

*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.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Personnel Activity Reports, Semi-Annual Certifications, or other documentation of personnel expenses were properly maintained in compliance with the program requirements. Due to the lack of proper internal controls, noncompliance was found during the audit period.

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

The School Corporation had two employees whose time was split between Title I and other educational activities. Personnel Activity Reports for the 2015 and 2016 fiscal years for these employees were provided for audit; however, the reports were not signed. Additionally, Semi-Annual Certifications for employees who worked solely on Title I activities were not presented for audit for the 2015 fiscal year. One employee who worked solely on Title I activities was not included on the Semi-Annual Certifications for the 2016 fiscal year.

*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, paragraph 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.

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

(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. . . ."

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) 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:

"If a school-wide program consolidates funds in a single account, an employee paid with funds from the single account is not required to file a semi-annual certification. If a school-wide program does not consolidate funds, employees working solely on a single Federal program must complete semi-annual certifications.

If a school-wide program does not consolidate funds, employees working on multiple programs must maintain a time and effort log at least once a month."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured that Personnel Activity Reports, Semi-Annual Certifications, or other documentation of personnel expenses were properly maintained and signed.

WESTFIELD WASHINGTON SCHOOLS  
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 related to the grant agreement and the compliance requirement listed above to ensure that Personnel Activity Reports, Semi-Annual Certifications, or other documentation of personnel expenses were properly maintained and signed.

*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: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability and Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-3030, 15-3030, 16-3030

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

*Repeat Finding*

A similar finding also appeared in the immediate prior audit. The prior audit report 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 following compliance requirements: Special Tests and Provisions - Comparability and Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Comparability Reports and High School Graduation Rate Reports for Title I Grants to Local Educational Agencies were subject to proper reviews or other internal controls prior to submission to the Indiana Department of Education.

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

Although proper controls were not in place, no material noncompliance was identified for 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*

Management had not developed a proper system of internal controls that 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 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 proper 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.

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***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): 14213-025-PN01, 14214-025-PN01,  
14215-025-PN01, 14214-025-PN01,  
14215-025-PN01, 99914-142-TA01,  
14216-132-PN01, 45714-025-PN01,  
45715-025-PN01, 45716-132-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation was a member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs are between the Indiana Department of Education the (IDOE) and each member school corporation of the Cooperative. The member school corporations 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. During 2015-2016, the Fiscal Agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the compliance requirements related to Allowable Costs/Cost Principles.

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. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements are between the IDOE and each member school corporation of the Cooperative, each member school corporation is ultimately responsible for ensuring compliance with the requirements.

For grants 14213-025-PN01, 14214-025-PN01, 14215-025-PN01, 45714-025-PN01, and 45715-025-PN01, the requirement was that for employees who were expected to work solely on a single Federal award, charges for their salaries and wages be supported by periodic certifications and that the certifications be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee. During the period, the Fiscal Agent of the Cooperative was responsible for maintaining Semi-Annual Certifications for the Cooperative employees whose salaries were charged solely to a specific grant. The Semi-Annual Certifications listing the employees were maintained; however, they were not certified by the employee or an appropriate supervisor. For employees who were expected to work on multiple cost objectives, a distribution of their salaries and wages were to be supported by a personnel activity report or equivalent documentation that meets the standards described below, there were no personnel activity reports maintained.

*Context*

Of the three Semi-Annual Certifications required to be maintained during the period for all employees whose salaries were charged entirely to one federal fund, none were certified by an appropriate supervisor. There were also six employees whose salaries were charged to more than one fund, but no Personnel Activity Reports were maintained for those employees. This was determined to be a systemic issue.

WESTFIELD WASHINGTON SCHOOLS  
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. . . ."

OMB Circular A-87, Attachment B, paragraph 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. . . ."

*Cause*

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

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the Cooperative, and, therefore, 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 have 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 Cooperative's 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: Special Education Cluster (IDEA) - Cash Management

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): 14213-025-PN01, 14214-025-PN01,  
14215-025-PN01, 14214-025-PN01,  
14215-025-PN01, 99914-142-TA01,  
14216-132-PN01, 45714-025-PN01,  
45715-025-PN01, 45716-132-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation was a member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs are between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations 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. During 2015-2016, the Fiscal Agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the compliance requirements related to Cash Management.

WESTFIELD WASHINGTON SCHOOLS  
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 Cash Management compliance requirement. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements are between the IDOE and each member school corporation of the Cooperative, each member school corporation is ultimately responsible for ensuring compliance with the requirements.

The Fiscal Agent utilized a report from its accounting software, which included expenses actually paid and expenses that were entered into the accounting software, but not yet paid. These expenses were summarized in an Excel spreadsheet that was used to prepare the Requests for Reimbursement. The Requests for Reimbursement were reviewed by the Cooperative Director; however, requesting reimbursement for claims incurred but not paid was not identified as a potential issue.

*Context*

Of the five Requests for Reimbursements tested, all of them contained expenditures that were incurred but not yet paid. This was determined to be a systemic issue.

*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. . . ."

34 CFR 80.21(d) states in part: "*Reimbursement*. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

*Cause*

Management of the School Corporation had not designed or implemented proper internal control procedures to ensure compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the Cooperative, and, therefore, 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 have 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 Cooperative's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

WESTFIELD WASHINGTON 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 2016-006**

Subject: Special Education\_Grants to States - Equipment and Real Property Management

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-025-PN01, 14214-025-PN01,  
14215-025-PN01, 14214-025-PN01,  
14215-025-PN01, 99914-142-TA01,  
14216-132-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Significant Deficiency, Other Matters

*Condition*

The School Corporation was a member school of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs are between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative had taken on the responsibility of tracking equipment acquisitions and disposals of equipment that was purchased with federal funds of the member school corporations of the Cooperative.

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 Equipment and Real Property Management compliance requirement. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements are between the IDOE and each member school corporation of the Cooperative, each member school corporation is ultimately responsible for ensuring compliance with the requirements.

A secretary of the Cooperative maintained an equipment inventory listing. The listing did not contain all the required information, such as acquisition cost, disposal date, and the sale price of the property, if sold.

*Context*

The equipment inventory listing did not contain the acquisition cost, disposal date, and the sale price of the property, if sold for any of the equipment listed. This was determined to be a systemic issue.

*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. . . ."

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

34 CFR section 80.32 states in part:

"(b) *States.* A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . .

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

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

*Cause*

The School Corporation had not designed and implemented internal control procedures to ensure compliance with the Equipment and Real Property Management compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the Cooperative, and, therefore, 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 have 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 Cooperative's management establish controls, including segregation of duties, related to the grant agreement and Equipment and Real Property Management 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.

WESTFIELD WASHINGTON SCHOOLS  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-007***

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-025-PN01, 14214-025-PN01,  
14215-025-PN01, 14214-025-PN01,  
14215-025-PN01, 99914-142-TA01,  
14216-132-PN01, 45714-025-PN01,  
45715-025-PN01, 45716-132-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation was a member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the special education programs are between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations 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. During the audit period, the Fiscal Agent of the Cooperative and the Cooperative itself was responsible for submitting the proper reports on behalf of the School Corporation and following the compliance requirements related to Reporting.

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 Reporting compliance requirement. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation is ultimately responsible for ensuring compliance with the requirements.

The Fiscal Agent utilized a report from its accounting software, which included expenses actually paid and expenses that were entered into the accounting software, but not yet paid. These expenses were summarized in an Excel spreadsheet that was used to prepare the Requests for Reimbursement and the Quarterly Monitoring Report for Proportionate Shares. The Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares required expenses paid to be reported. The Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares were reviewed by the Cooperative Director; however, reporting amounts incurred but not paid was not identified as a potential issue.

The Cooperative Director prepared the Final Report utilizing the final Excel spreadsheet maintained by the Fiscal Agent and then submitted the report without any review, approval, or other control to ensure its accuracy.

*Context*

Because of the method use to accumulate the information for reporting, this was determined to be a systemic issue.

WESTFIELD WASHINGTON SCHOOLS  
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. . . ."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meeting 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. . . ."

*Cause*

The School Corporation had not designed or implemented internal control procedures to ensure compliance with the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the Cooperative, and, therefore, 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 have 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 Cooperative's management establish controls, including segregation of duties, related to the grant agreement and the Reporting 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.



# Westfield Washington Schools

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Brian Tomamichel, Chief Financial Officer  
Contact Phone Number: 317-867-8013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The district is working on restructuring the business office. All future SEFA reports will be created by the treasurer and reviewed by both the deputy treasurer and chief financial officer for accuracy. All three individuals will sign off on the report after completion.

Anticipated Completion Date: August 2018

### **FINDING 2016-002**

Contact Person Responsible for Corrective Action: Brian Tomamichel, Chief Financial Officer  
Contact Phone Number: 317-867-8013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Westfield Washington Schools will review and update our internal control standards and procedures to ensure that this does not occur again. Included in the internal controls will be a semi-annual review of all staff certifications for federal grants.

Anticipated Completion Date: July 2018

### **FINDING 2016-003**

Contact Person Responsible for Corrective Action: Brian Tomamichel, Chief Financial Officer  
Contact Phone Number: 317-867-8013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Westfield Washington Schools will review and update our internal control standards and procedures to ensure that this does not occur again. Included in the internal controls will be a semi-annual review of all State and Federal grants.

Anticipated Completion Date: July 2018



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### **FINDING 2016-004**

Contact Person Responsible for Corrective Action: Brian Tomamichel, Chief Financial Officer  
Contact Phone Number: 317-867-8013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Westfield Washington Schools has removed themselves from the Hamilton-Boone-Madison Special Cooperative. With this change Westfield Washington Schools will review and update our internal control standards and procedures to ensure that this does not occur again. Included in the internal controls will be a semi-annual review of all staff certifications for federal grants.

Anticipated Completion Date: July 2018

### **FINDING 2016-005**

Contact Person Responsible for Corrective Action: Brian Tomamichel, Chief Financial Officer  
Contact Phone Number: 317-867-8013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Westfield Washington Schools has removed themselves from the Hamilton-Boone-Madison Special Cooperative. Westfield Washington Schools already had procedures and practices in place that require an item to be listed on an expense report and paid prior to being claimed for reimbursement.

Anticipated Completion Date: March 2018

### **FINDING 2016-006**

Contact Person Responsible for Corrective Action: Brian Tomamichel, Chief Financial Officer  
Contact Phone Number: 317-867-8013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Westfield Washington Schools has removed themselves from the Hamilton-Boone-Madison Special Cooperative. With this change Westfield Washington Schools will review and update our internal control standards and procedures to ensure that this does not occur again. Westfield Washington Schools will focus specifically on our existing inventory system to ensure that all items are recorded accurately and correctly.

Anticipated Completion Date: July 2018



## Westfield Washington Schools

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### FINDING 2016-007

Contact Person Responsible for Corrective Action: Brian Tomamichel, Chief Financial Officer  
Contact Phone Number: 317-867-8013

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Description of Corrective Action Plan: Westfield Washington Schools has removed themselves from the Hamilton-Boone-Madison Special Cooperative. Westfield Washington Schools already had procedures and practices in place that require an item to be listed on an expense report and paid prior to being claimed for reimbursement. Also, all quarterly monitoring reports will be reviewed for accuracy by both the Chief Financial Officer and the Director of Student Services.

Anticipated Completion Date: March 2018

A handwritten signature in black ink, appearing to read "Brian Tomamichel", written over a horizontal line.

(Signature)

The handwritten title "CFO" in black ink, written above a horizontal line.

(Title)

The handwritten date "2-28-2018" in black ink, written above a horizontal line.

(Date)

WESTFIELD WASHINGTON SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2018, with Dr. Sherry Grate, Superintendent of Schools; Marsha L. Bohannon, Treasurer; Brian Tomamichel, Chief Financial Officer; and Duane E. Lutz, Vice President of the School Board.