

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
LEBANON COMMUNITY SCHOOL CORPORATION  
BOONE COUNTY, INDIANA  
July 1, 2014 to June 30, 2016



**FILED**  
04/18/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Moore	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Robert L. Taylor	07-01-14 to 06-30-18
President of the School Board	Thomas Merritt Michael Burton Elizabeth Keith	07-01-14 to 12-31-14 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 LEBANON COMMUNITY SCHOOL  
CORPORATION, BOONE COUNTY, INDIANA

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

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

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

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

March 27, 2018

LEBANON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Child Nutrition Cluster - Program Income  
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): FY15/FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
Audit Findings: Material Weakness, Other Matters

*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 Program Income compliance requirement. Procedures established to ensure that the School Corporation's calculation of program income for the National School Lunch Program were not effective.

The School Corporation did not have proper oversight and monitoring of the daily deposits for the School Lunch fund. The program income calculation for fiscal year 2016 included amounts received for prepaid meals, which caused an overstatement in the income reported for the National School Lunch Program for fiscal year 2016.

*Context*

The School Corporation's lack of properly designed and implemented controls and failure to properly calculate program income were systemic problems throughout the audit period.

*Criteria*

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

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

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

LEBANON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

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 would have ensured the proper calculation of program income.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Program Income compliance requirement.

*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 Program Income compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-002**

Subject: Child Nutrition Cluster - Reporting  
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): FY15/FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

LEBANON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. Procedures established to ensure that the School Corporation's preparation and reporting of the Annual Financial Report (AFR) and the School Food Authority (SFA) Verification Collection Report for the School Breakfast Program and National School Lunch Program were not effective.

The School Corporation did not have proper oversight and monitoring of the preparation and reporting of the AFR and School Food Authority (SFA) Verification Collection Report for the School Lunch fund. For fiscal year 2015, the School Food Authority (SFA) Verification Collection Report did not have supporting documentation. For fiscal year 2016, the AFR and School Food Authority (SFA) Verification Collection Report were not supported by the School Corporation's records.

*Context*

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

The School Corporation's failure to provide proper oversight for the reporting of the Annual Financial Report and School Food Authority (SFA) Verification Collection Report was a systemic problem throughout the audit period.

The lack of supporting documentation for the required reports was an isolated incident for the required reports listed above.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 3016.20(b) states in part:

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

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

LEBANON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

*Cause*

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

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds for 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 Reporting compliance requirement. We also recommended that the School Corporation keep all supporting documentation for required reports.

*Views of Responsible Officials*

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

**FINDING 2016-003**

Subject: Child Nutrition Cluster - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY15/FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Findings: Material Weakness, Other Matters

*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 - Paid Lunch Equity compliance requirement. Procedures established to ensure that the School Corporation's preparation and reporting of the Paid Lunch Equity calculation for the National School Lunch Program were not effective.

LEBANON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not have policies or procedures in place to ensure Special Tests and Provisions - Paid Lunch Equity requirements were properly calculated and considered. The School Corporation did not retain its Paid Lunch Equity calculation documentation for the 2014-2015 school year; therefore, the School Corporation was not in compliance with the Special Tests and Provisions - Paid Lunch Equity requirement.

*Context*

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period. The issue of Paid Lunch Equity calculations not being completed was an isolated incident to the 2014-2015 school 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). . . ."

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(6) Records to document compliance with the requirements in §210.14(e); . . ."

7 CFR 210.14(e) states in part:

"*Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

LEBANON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions or that ensured the maintenance of proper supporting documentation.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*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 Special Tests and Provisions - Paid Lunch Equity compliance requirement. We also recommended that the School Corporation complete the required calculations for Paid Lunch Equity.

*Views of Responsible Officials*

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

**FINDING 2016-004**

Subject: Child Nutrition Cluster - 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): FY15/FY16

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

*Condition*

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

LEBANON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

It could not be determined if the School Corporation complied with the requirements of the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). Audit evidence was not available as requested for school year 2014-2015. Due to this lack of maintaining of records, the requirements for the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) could not be verified.

*Context*

The lack of controls was a systemic problem throughout the audit period. Records were not available to determine compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements for the 2014-2015 school 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). . . ."

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 documentation was maintained and made available for audit relating to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

LEBANON COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation is maintained and made available for audit relating to the Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP) compliance requirement.

*Views of Responsible Officials*

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



**Administration Center  
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www.leb.k12.in.us

**CORRECTIVE ACTION PLAN**

***FINDING 2016-001***

Contact Person Responsible for Corrective Action: Jennifer Rice, Food Service Director  
Contact Phone Number: 765-482-0380

Views of Responsible Official: Administration Concurs with finding.

Description of Corrective Action Plan:

Calculation of Program Income no longer includes amounts received for prepaid meals. Separate funds have been identified and receipts have been recorded accordingly.

Internal controls have been implemented: This procedure will be reviewed by both the Director of Food Service and the Corporation Treasurer.

Anticipated Completion Date: This procedure was implemented 01/01/2017

Charles L. Tait  
(Signature)  
ASST. Supt.  
(Title)  
3-27-2018  
(Date)

**Dr. Robert L. Taylor**  
Superintendent

**Charles L. Tait**  
Assistant Superintendent

**Diane Lee Scott**  
Director of Curriculum

**Kari K. Ottinger**  
Director of Assessment

**Chad Martin**  
Director of Technology



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**CORRECTIVE ACTION PLAN**

***FINDING 2016-002***

Contact Person Responsible for Corrective Action: Jennifer Rice, Food Service Director  
Contact Phone Number: 765-482-0380

Views of Responsible Official: Administration concurs with this finding.

Description of Corrective Action Plan: Internal controls have been implemented so that the preparation and reporting of the Annual Financial Report and the Verification Summary for School Breakfast Program and National School Lunch Program are created by Director of Food Service and reviewed by the Assistant Superintendent.

Anticipated Completion Date: 03/22/2018

*Charles L. Tait*  
(Signature)  
*ASST. Supt.*  
(Title)  
*3-27-2018*

**Dr. Robert L. Taylor**  
Superintendent

**Charles L. Tait**  
Assistant Superintendent

**Diane Lee Scott**  
Director of Curriculum

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**CORRECTIVE ACTION PLAN**

**FINDING 2016-003**


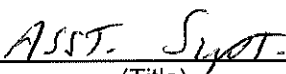
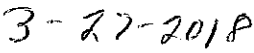
Contact Person Responsible for Corrective Action: Jennifer Rice, Food Service Director  
Contact Phone Number: 765-482-0380

Views of Responsible Official: Administration concurs with this finding.

Description of Corrective Action Plan: Documents are stored in secure place and only destroyed according the law – records retention.

Internal Controls for the calculation paid lunch equity has been implemented.  
Primary responsibility: Food Service Director  
Secondary responsibility: Assistant Superintendent

Anticipated Completion Date: 3/22/2018

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

**Dr. Robert L. Taylor**  
Superintendent

**Charles L. Tait**  
Assistant Superintendent

**Diane Lee Scott**  
Director of Curriculum

**Kari K. Ottinger**  
Director of Assessment

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**CORRECTIVE ACTION PLAN**

***FINDING 2016-004***

Contact Person Responsible for Corrective Action: Jennifer Rice, Food Service Director  
Contact Phone Number: 765-482-0380

Views of Responsible Official: Administration concurs with the finding.

Description of Corrective Action Plan:

Documents are stored in secure place and only destroyed according the law – records retention.

Internal Controls for the verification of Free and Reduced Price applications has been implemented.

Primary responsibility: Food Service Director

Secondary responsibility: Assistant Superintendent

Anticipated Completion Date: 3/22/2018

(Signature)

(Title)

**Dr. Robert L. Taylor**  
Superintendent

**Charles L. Tait**  
Assistant Superintendent

**Diane Lee Scott**  
Director of Curriculum

**Kari K. Ottinger**  
Director of Assessment

**Chad Martin**  
Director of Technology

LEBANON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on March 27, 2018 with Dr. Robert L. Taylor, Superintendent of Schools; Charles Tait, Business Manager; Melissa Moore, Treasurer; and Elizabeth Keith, President of the School Board.