

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EAST ALLEN COUNTY SCHOOLS

ALLEN COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED

04/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lois M. Goeglein	07-01-15 to 06-30-18
Superintendent of Schools	Dr. Kenneth H. Folks Marilyn S. Hissong	07-01-15 to 06-30-17 07-01-17 to 06-30-18
President of the School Board	Chris Baker Robert Nelson Jr.	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 EAST ALLEN COUNTY SCHOOLS, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of East Allen County Schools (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

EAST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS

FINDING 2017-001

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): FY 15-16, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

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.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Food Authority (SFA) Verification Collection Reports, monthly Sponsor Claim (claims for reimbursement), and Annual Financial Reports were accurate prior to submission. One person prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of controls was a systemic problem, occurring throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

Effect

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

EAST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2017-002

Subject: Title I Grants to Local Educational Agencies - Eligibility, Reporting, Special Tests and Provisions - Comparability, Special Tests and Provisions - Annual Report Card, High School Graduation Rate, Special Tests and Provisions - Assessment System Security

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): 16-0255, 17-0255, SY 15-16, SY 16-17

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition

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

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the proper eligibility determinations were made for targeted assistance students prior to providing benefits. Eligibility determinations were made and there was no evidence to support a review of those determinations. There was no segregation of duties, such as an oversight, review, or approval process.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Annual Expenditure Reports were accurate prior to submission. One person prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

EAST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Comparability

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Comparability Reports were accurate prior to submission. One person prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the required supporting documentation to substantiate removing students from their cohort for mobility reasons was retained. There was no segregation of duties, such as an oversight, review, or approval process.

Special Tests and Provisions - Assessment System Security

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the required written test security policy was produced and detailed the requisite guidelines. One person prepared the test security policy. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of controls was a systemic problem, occurring throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

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.

EAST ALLEN COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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



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EAST ALLEN COUNTY SCHOOLS
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CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Lois M. Goeglein, Manager of Financial Services/Treasurer

Contact Phone Number: (260) 446-0107

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: East Allen School Corporation, in cooperation with the approved food service vendor, will implement a new procedure for Child Nutrition Cluster Program reporting. The appropriate personnel will be assigned and trained to review the School Food Authority (SFA) Verification Collection Reports, Monthly Sponsor Claims, and Annual Financial Reports.

Anticipated Completion Date: March 31, 2018

FINDING 2017-002

Contact Person Responsible for Corrective Action: Lois M. Goeglein, Manager of Financial Services/Treasurer

Contact Phone Number: (260) 446-0107

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: East Allen School Corporation will implement the following controls related to the Title I Grants to Local Educational Agencies Program. Approval process to ensure that the proper eligibility determinations are made for targeted assistance students prior to providing benefits, Annual Expenditures Report and Comparability Reports are accurate before submission. Procedures to ensure that someone is reviewing the supporting documentation to substantiate removing students from their cohort and the required written test security policy and requisite guidelines.

Anticipated Completion Date: March 31, 2018


(Signature)

Treasurer East Allen County Schools
(Title)

March 12, 2018
(Date)

EAST ALLEN COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on March 27, 2018, with Marilyn S. Hissong, Superintendent of Schools; Lois M. Goeglein, Treasurer; and Robert Nelson Jr., President of the School Board.