

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CONCORD COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
05/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Constance J. Crum	07-01-14 to 12-31-15
	Sarah Nagy	01-01-16 to 01-15-17
	Rebecka Smith (interim)	01-16-17 to 04-17-17
	Sue Oakley	04-18-17 to 12-31-18
Superintendent of Schools	Wayne R. Stubbs	07-01-14 to 06-30-15
	John D. Trout	07-01-15 to 06-30-18
President of the School Board	Randall Myers	07-01-14 to 12-31-17
	Tim A. Yoder	01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE CONCORD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Concord Community 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 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 and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Result and Comment, incorporated within this report, were not verified for accuracy.

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

May 3, 2018

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Financial Transactions and Reporting. The prior audit finding number was 2014-001.

Condition

There were several deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting.

1. Lack of Segregation of Duties:

- **Journal Entries:** The School Corporation had not separated incompatible activities related to processing and approval of journal entries. Journal entries were used to receipt and disburse money between funds, to correct transactions that have been inaccurately posted to the records, and to post Electronic Funds Transfer (EFT) disbursements from the School Corporation's bank accounts to an appropriate fund. These entries were calculated and posted to the records by one employee of the School Corporation without the approval of a second employee of the School Corporation or approval by the School Board.
- **Payroll Disbursement Process:** The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.
- **Self-Insurance Fund Transactions:** Self-Insurance Fund transactions were not recorded on the funds ledger of the School Corporation; rather, they were maintained on an Excel spreadsheet. For 23 of the 24 months of the audit period, one employee was responsible for posting receipt and disbursement transactions of the Self-Insurance Fund to the Excel spreadsheet and reconciling the spreadsheet to the bank statements, without oversight or approval of any other employee. There were no receipts written for amounts received from insurance companies as refunds and rebates. There were no receipts written for amounts received from the School Corporations other funds. Disbursements from the Self-Insurance Fund were not processed through the School Corporation normal disbursements process. EFTs were withdrawn from a Self-Insurance Bank Account with the approval of just one employee. Checks were processed by a third-party administrator and then a check register was sent to the Treasurer for recording within a manual record. None of these disbursements were approved by the School Board.
- **Receipts:** Corporation money collected at the school buildings was receipted on various types of forms and collection reports of the individual school records and then deposited into a corporation bank account by one individual. A corporation receipt was written by a corporation office employee to record the funds collected onto the funds ledger of the School Corporation.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over Financial Reporting would require the School Corporation to monitor and assess the quality of the system of internal control.

Context

The lack of adequate internal controls over the approval of journal entries, review of the payroll process, recording of Self-Insurance Fund transactions, and the receipt process was a systemic problem throughout the audit period.

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. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish and document effective controls, including segregation of duties, to ensure that financial transactions processed receive proper review prior to posting to ensure financial transactions are accurately reported on the financial statements.

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 - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and 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,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Program Income, Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, 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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

Program Income

The School Corporation had not separated incompatible activities related to the collection and depositing of program income received in the school cafeterias. During the second year of the audit period, these duties were performed by one individual with no evidence of a control system, such as a review or approval process.

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

Verification of Free and Reduced Price Applications were processed by one employee without evidence of a control in place to review and approve the accuracy of verifications performed.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue. There were no documented controls throughout the audit period related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The lack of documented controls related to Program Income occurred throughout fiscal year 2015-2016.

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 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 listed above. 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 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.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed and 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): 14214-016-PN01, 14215-016-PN01,
14216-016-PN01, 99910-TA01,
45714-016-PN01, 45715-016-PN01,
45716-016-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Reporting

Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Reporting compliance requirements.

Activities Allowed or Unallowed

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

Reporting

There was no oversight in completing the December 1st child count. One person prepared the report without an oversight, review, or approval process to ensure it was accurate before the application was submitted.

Context

The lack of controls was a systemic issue, which occurred 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(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 Activities Allowed or Unallowed and Reporting 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 related to the grant agreement and the Activities Allowed or Unallowed and Reporting 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 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): 14214-016-PN01, 14215-016-PN01,
14216-016-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-016-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system, which would include segregation of duties, 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.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation had not separated incompatible activities related to payroll disbursements. The School Corporation had not implemented adequate controls to ensure that Time and Effort Logs or other documentation of personnel expenses were prepared.

Context

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

All 25 employees that were paid from Special Education Cluster (IDEA) funds were included on Semi-Annual Certifications for all six-month periods of the audit period. Of those 25 employees, 8 were paid from either the General fund or the Special Education Grant fund. Those 8 employees did not maintain proper Time and Effort Logs.

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, Section 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:

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (a) More than one Federal award,
 - (b) A Federal award and a non-Federal award, . . .
- (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 . . ."

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) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation. 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.

Questioned Costs

There were no questioned costs identified.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2016-005

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed compliance requirement. There were no controls in place to ensure that expenditures charged to the grant were adequately documented to show compliance with the Activities Allowed or Unallowed requirements.

The Cooperative provided special education services to its participating member school corporations (members) and billed them from expenditures paid within the Cooperative funds during the audit period. The Cooperative gave its members credits on their bills for amounts the members were awarded from the budgeted grant category, *Services from Another Educational Agency*. Members did not directly request reimbursement for *Services from Another Educational Agency*; rather, the Cooperative requested reimbursement on the members' behalf for special education services provided under other categories such as *Certified Salaries, Non-Certified Salaries, Employee Benefits, Purchased/Contracted Services, Conference/Travel, Materials/Supplies, and Buildings*. The Cooperative did not provide any documentation to support the allocation charged to the grant for members' credits in order to test the population for Activities Allowed or Unallowed. Total allocations charged to Special Education Grants to States by the Cooperative for members' credits for school years ending June 30, 2015 and 2016, were \$345,319 and \$247,449, respectively.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The funds requested by the Cooperative for members were received in the GCS's Spec Ed Part B funds and never transferred into the appropriate Cooperative fund. As a result, the requested funds that belonged to the Cooperative were commingled with the Special Ed Part B fund transactions that solely benefited the GCS and not the other members. Audit procedures over Special Ed Part B fund transactions revealed a lack of a review or approval process over payroll disbursements; however, sampled transactions as a whole were made in compliance with the Activities Allowed or Unallowed compliance requirement.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, adequate documentation did not support Cooperative expenditures allocated to the grant for members' credits and the commingling of Spec Ed Part B funds and expenditures identified in the *Condition*.

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). . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(b) 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.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) 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

The School Corporation and the Cooperative had not established an effective internal control system that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed compliance requirement. Additionally, an effective internal control system had not been established to ensure adequate documentation over Cooperative expenditures allocated to the grant for members' credits and the commingling of Special Ed Part B funds and expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material 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 and the Cooperative. Additionally, the failure to maintain adequate documentation over Cooperative expenditures allocated to the grant for members' credits and the comingling of Spec Ed Part B funds prevented the determination of the School Corporation's compliance related to Activities Allowed or Unallowed and the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Activities Allowed or Unallowed compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure adequate documentation is maintained.

Views of Responsible Officials

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

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-006

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-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 participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Expenditures made by the GCS out of Special Ed Part B funds for salaries and benefits charged to the Special Education Cluster (IDEA) were paid without adequate documentation to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. Personnel activity reports or other documentation of personnel expenses for employees who worked on multiple activities or cost objectives during the audit period were not completed or presented. Also, Semi-Annual Certifications or other documentation of personnel expenses for employees whose salaries were paid 100 percent out of the grant funds were not accurate or completed. The following is a list of issues identified during the audit:

1. In a test performed on 31 employee payroll transactions, 21 of those transactions were not supported by personnel activity reports or other personnel expense documentation to support the percentage of their pay being charged to the Special Education Cluster (IDEA).
2. For two employees who did complete personnel activity reports or other personnel expense documentation, only 12 out of 20 personnel activity reports were signed by a supervisor.
3. The School Corporation maintained a listing of employees who were to be paid from the Special Ed Part B funds. The School Corporation paid two employees from the Special Ed Part B funds who were not on that list.
4. The GCS did not adequately maintain personnel expense documentation to support substitutes' pay that was charged to the Special Education Cluster (IDEA).

Furthermore, the Cooperative provided special education services to its participating member school corporations (members) and billed them from expenditures paid within the Cooperative funds during the audit period. The Cooperative gave its members credits on their bills for amounts the members were awarded from the budgeted grant category, *Services from Another Educational Agency*. Members did not directly request reimbursement for *Services from Another Educational Agency*; rather, the Cooperative requested reimbursement on the members' behalf for special education services provided under other

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

categories such *Certified Salaries, Non-Certified Salaries, Employee Benefits, Purchased/Contracted Services, Conference/Travel, Materials/Supplies, and Buildings*. The Cooperative did not provide any documentation to support the allocation charged to the grant for members' credits in order to test the population for Allowable Costs/Cost Principles. Total allocations charged to Special Education Grants to States by the Cooperative for members' credits for school years ending June 30, 2015 and 2016, were \$345,319 and \$247,449, respectively.

The funds requested by the Cooperative for members were receipted in the GCS's Spec Ed Part B funds and never transferred into the appropriate Cooperative fund. As a result, the requested funds that belonged to the Cooperative were commingled with the Special Ed Part B fund transactions that solely benefited the GCS and not the other remaining members. Audit procedures over Special Ed Part B fund transactions revealed a lack of a review or approval process over payroll disbursements; however, sampled transactions as a whole, except as noted above, were made in compliance with Allowable Costs/Cost Principles.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support the expenditures identified in the *Condition*.

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 A, Part C. states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, Section 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, . . .

(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 . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(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. . . ."

Cause

The School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Additionally, an effective internal control system had not been established to ensure supporting documentation was maintained related to personnel activity reports or other documentation of personnel expenses and the expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material 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 and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to personnel activity reports or other personnel expense documentation and the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure adequate supporting documentation is maintained.

Views of Responsible Officials

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

FINDING 2016-007

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education (IDOE) and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The reimbursement request form prescribed by the IDOE required dual signatures for approval before submission. Multiple reimbursement requests presented for audit did not have the required dual signatures.

Expenditures charged to the Special Education Cluster (IDEA) were paid without adequate documentation. Therefore, it could not be determined whether expenditures were paid prior to the Cooperative requesting reimbursement.

The Cooperative, which operated out of its own fund on the GCS's ledger and provided services to its member school corporations (members) and billed its members for those services, requested special education funds on behalf of its members in exchange for credits on its members' bills. The members budgeted and used the category, *Services from Another Educational Agency*, to account for the activity they wanted to receive from the Cooperative. For instance, for grant award 14215-016-PN01, the Cooperative requested reimbursement on April 15, 2015, and on September 15, 2015, for the activities, *Certified Salaries* and *Employee Benefits*, but did not provide any supporting documentation for a total of \$214,569 requested. The Cooperative's requested funds were received by the GCS and commingled with the GCS's Spec Ed Part B funds. The Cooperative did not bill its members for its services until January 8, 2016. The funds requested by the Cooperative were never transferred to the appropriate GCS fund to reimburse the credits that were given to Cooperative members.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support requests for reimbursement and that expenditures were made prior to the request, and evidence was not presented to support approval of requests identified in the *Condition*.

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:

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(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). . . ."

34 CFR 74.22 states in part:

". . . (e)(1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper. . . .

(f). . . Thereafter, the Secretary reimburses the recipient for its actual cash disbursements. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Cash Management compliance requirement. Additionally, an effective internal control system had not been established to ensure supporting documentation was maintained related to the reimbursement requests and expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material 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 and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to the reimbursement requests and expenditures identified in the *Condition*.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Cash Management compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure supporting documentation is maintained.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Special Education Cluster (IDEA) - Period of Performance

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement. There were no controls in place to ensure that all expenditures charged to the grant fund were obligated within the Period of Performance. Expenditures charged by the Cooperative to the Special Education Cluster (IDEA) were paid with no supporting documentation to determine if expenditures were within the Period of Performance.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support the expenditures identified in the *Condition*.

CONCORD COMMUNITY 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. . . ."

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). . . ."

34 CFR 80.23 states:

"(a) *General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period.

(b) *Liquidation of obligations.* A grantee must liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status Report (SF-269). The Federal agency may extend this deadline at the request of the grantee."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not established an effective internal control system that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement. Additionally, an effective internal control system had not been established to ensure supporting documentation was maintained related to the expenditures identified in the *Condition*.

Effect

The failure to establish an effective internal control system enabled material 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 and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to the expenditures identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Period of Performance compliance requirement. Additionally, we recommended that management of the School Corporation and the Cooperative establish controls to ensure supporting documentation is maintained.

Views of Responsible Officials

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

FINDING 2016-009

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): 14214-016-PN01, 14215-016-PN01,
14216-014-PN01, 99914-016-TA01,
45714-016-PN01, 45715-016-PN01,
45716-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Elkhart County Special Education Cooperative (Cooperative), a public school program serving approximately 3,400 students with disabilities 3-22 years old in Elkhart County. The Goshen Community Schools (GCS) was the administrator of the Cooperative. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

responsible for ensuring compliance with the requirements. An effective internal control system was not in place at the School Corporation and at the Cooperative 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 all expenditures charged to the grant fund were reported correctly.

The Cooperative, who requested funds on behalf of its member school corporations (members), did not provide any documentation supporting its reimbursement requests and were submitted without an oversight, review, or approval process to ensure they were accurate and in compliance with the Reporting compliance requirement. In addition, the Cooperative prepared and submitted the final reports for its members without an oversight, review, or approval process to ensure they were accurate and in compliance with the Reporting compliance requirement.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. Additionally, documentation was not provided to support the reimbursement requests and expenditures identified in the *Condition*.

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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

(b) 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.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) 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

The School Corporation had not established a proper internal control structure that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. A lack of segregation of duties within an internal control system 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. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation and to the Cooperative. Additionally, the failure to maintain supporting documentation prevented the determination of the School Corporation's compliance related to reporting identified in the *Condition*.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Reporting compliance requirement. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation is maintained.

Views of Responsible Officials

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

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed and 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): 14-2270, 15-2270, 16-2270
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure that payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

Context

The lack of controls was a systemic issue. There were no documented controls over the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements 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. . . ."

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). . . ."

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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 controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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 2016-011

Subject: English Language Acquisition State Grants - Activities Allowed
or Unallowed and Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: English Language Acquisition State Grants

CFDA Number: 84.365

Federal Award Numbers and Years (or Other Identifying Numbers): 01114-013-PN01, 01115-013-PN01,
01116-019-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not separated incompatible activities related to payroll disbursements. The Payroll Specialist processed and completed all functions of payroll processing activities without documented oversight by a second employee to ensure payroll was properly calculated and charged to the appropriate fund, and that the employer's contribution for employee benefits was accurately charged to an appropriate fund.

CONCORD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue. There were no documented controls over the compliance requirements listed in the *Condition* 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. . . ."

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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 controls related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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



Concord Community Schools

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Web:www.concord.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-001

Subject: Financial Transactions and Reporting

Contact Person: Susan Oakley, Corporation Treasurer

Contact Person Information: soakley@concord.k12.in.us

Issue: Deficiencies in Internal Control System

Root Cause: No evidence of 2nd approvals

Views of Responsible Official: We concur with the finding.

An internal monitoring system has been established whereby more than one employee oversees and approves Journal Entries, Payroll Disbursement Process, Self-Insurance Fund Transactions, and Receipts.

Journal Entries:

The Corporation Treasurer initiates journal entries. Chief Financial Officer approves journal entries by initialing paperwork. Corporation Treasurer then enters journal entry into financial system. Month end financial reports that include these results are created by Corporation Treasurer, then approved by Chief Financial Officer, then approved by School Board.

Payroll Disbursement Process:

Payroll Coordinator initiates the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Self-Insurance Fund Transactions:

The self-insurance fund will be established in the new financial software instead of being maintained on an excel spreadsheet. The employee transactions will automatically generate from the payroll processing. Accounts Payable will process the claims. Third party insurance payments will be posted through the journal entry process. Month end reconciliation will be completed by the Corporation Treasurer and approved by the Chief Financial Officer. Then the Claims will be approved by the School Board. This new fund will also be included on the month end financial reports created by Corporation Treasurer, approved by Chief Financial Officer, then approved by School Board.

Receipts:

Money is collected by an employee, recorded for bank depositing, then will be verified & approved by another designated employee. Bank deposit will be processed through the Building's Extra-Curricular Treasurer. Extra-Curricular account deposit ticket and details are verified & approved by another designated employee and receipted by the Extra-Curricular Treasurer. Corporation account deposit tickets and details are sent to Deputy Treasurer to receipt. Month end financial reports that include these results are created by Corporation Treasurer, then approved by Chief Financial Officer, then approved by School Board.

Effective Date: July 1, 2018


(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-002

Subject: Child Nutrition Cluster

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

A Food Service designated employee will approve payroll disbursements. Then will send to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Money is collected by an employee, recorded for bank depositing, then will be verified & approved by another designated employee. Bank deposit will be processed through the Building's Extra-Curricular Treasurer. Deposit tickets and details are sent to Deputy Treasurer to receipt. Month end financial reports that include these results are created by Corporation Treasurer, then approved by Chief Financial Officer, then approved by School Board.

Free and Reduced Price Applications will be initiated by an employee and then will be verified and approved by another designated employee.

Effective Date: July 1, 2018

Susan McOakey
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

59040 Minuteman Way * Elkhart, IN 46517-3499 * 574-875-5161 * Fax:574-875-8762

Web:www.concord.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-003

Subject: Special Education Cluster (IDEA) – Activities Allowed or Unallowed and Reporting

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

A Special Education designated employee will approve payroll disbursements. Then will send to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Reporting

The December 1 child count will be prepared by the Data Manager and then approved by the Special Education Coordinator before the application is submitted.

Effective Date: July 1, 2018

Susan McDakly
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-004

Subject: Special Education Cluster (IDEA) – Allowable Costs/Cost Principles

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

A Special Education designated employee will approve payroll disbursements. Then will send to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Those employees that are not 100% grant funded will complete adequate records of work performed.

Effective Date: Immediately

Suean McCahly
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-005

Subject: Special Education Cluster (IDEA) – Activities Allowed or Unallowed

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

The Elkhart County Special Education Cooperative (ECSEC) is a public schools program serving students with disabilities in Elkhart County. Concord Community Schools is a participating member of the Cooperative. Goshen Community Schools (GCS) is the administrator of the Cooperative.

While Concord Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS).

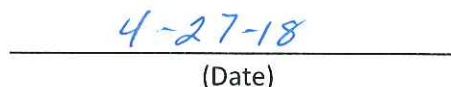
Concord Community Schools will participate regularly in joint meetings to monitor compliance to the best of their ability.

The entire ECSEC operation is going through some transitions. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions, procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Concord Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Effective Date: Immediately


(Signature)


(Title)


(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-006

Subject: Special Education Cluster (IDEA) – Allowable Costs/Cost Principles

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

The Elkhart County Special Education Cooperative (ECSEC) is a public schools program serving students with disabilities in Elkhart County. Concord Community Schools is a participating member of the Cooperative. Goshen Community Schools (GCS) is the administrator of the Cooperative.

While Concord Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS).

Concord Community Schools will participate regularly in joint meetings to monitor compliance to the best of their ability.

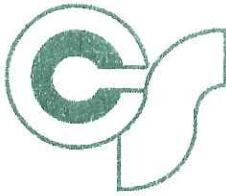
The entire ECSEC operation is going through some transitions. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions, procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Concord Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Effective Date: Immediately

Susan McOahly
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-007

Subject: Special Education Cluster (IDEA) – Cash Management

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

The Elkhart County Special Education Cooperative (ECSEC) is a public schools program serving students with disabilities in Elkhart County. Concord Community Schools is a participating member of the Cooperative. Goshen Community Schools (GCS) is the administrator of the Cooperative.

While Concord Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS).

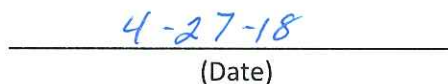
Concord Community Schools will send supporting documentation along with their reimbursement request to the administrative school (GCS).

The entire ECSEC operation is going through some transitions. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions, procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Concord Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Effective Date: Immediately


(Signature)


(Title)


(Date)



Concord Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2016-008

Subject: Special Education Cluster (IDEA) – Period of Performance

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

The Elkhart County Special Education Cooperative (ECSEC) is a public schools program serving students with disabilities in Elkhart County. Concord Community Schools is a participating member of the Cooperative. Goshen Community Schools (GCS) is the administrator of the Cooperative.

While Concord Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS).

Concord Community Schools will establish internal controls to ensure the Period of Performance compliance requirement is met.

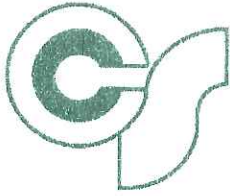
The entire ECSEC operation is going through some transitions. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions, procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Concord Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Effective Date: Immediately

Susan McOakey
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-009

Subject: Special Education Cluster (IDEA) – Reporting

CFDA#: 84.027, 84.173

Views of Responsible Official: We concur with the finding.

The Elkhart County Special Education Cooperative (ECSEC) is a public schools program serving students with disabilities in Elkhart County. Concord Community Schools is a participating member of the Cooperative. Goshen Community Schools (GCS) is the administrator of the Cooperative.

While Concord Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS).

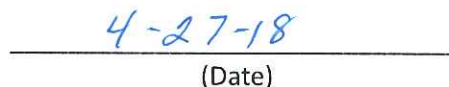
Concord Community Schools will establish internal controls to ensure the Reporting compliance requirement of the grant agreement is met.

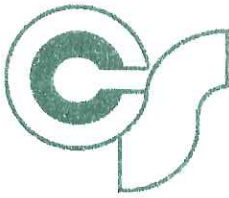
The entire ECSEC operation is going through some transitions. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions, procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Concord Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Effective Date: Immediately


(Signature)


(Title)


(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-0010

Subject: Title I Grants to Local Educational Agencies – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

CFDA#: 84.010

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

The Grant Coordinator will approve initial payroll distributions. Then buildings will send approved disbursements to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Effective Date: Immediately

Susan M Oakley
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2016-0011

Subject: English Language Acquisition State Grants – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

CFDA#: 84.365

Views of Responsible Official: We concur with the finding.

Segregation of Duties and Controls

The Grant Coordinator will approve initial payroll distributions. Then buildings will send approved disbursements to Payroll Coordinator to initiate the processing of payroll. Corporation Treasurer approves time & attendance reconciliations, distribution report, payroll summary report and claims. Accounts Payroll will process the claims. Then the Payroll Summary Report and claims are approved by School Board.

Effective Date: Immediately

Susan M Oakley
(Signature)

Corp. Treasurer
(Title)

4-27-18
(Date)

CONCORD COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

ECA EDUCATIONAL FEES

The same comment appeared in prior Report B45382, entitled *ECA EDUCATIONAL FEES*.

The School Corporation charged various educational fees. The School Corporation did not provide an explanation for the amounts being charged and did not obtain a written opinion from the School Corporation's attorney to verify that fees were appropriate in regards to Constitutional provisions.

Fees can only be collected as specifically authorized by law or properly authorized ordinance/resolution. When a fee is NOT specified by law, but instead through the use of an ordinance/resolution, sufficient authoritative reference should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

All authorized educational fees (the School Board should be able to justify any educational fees (non-payroll positions) and ensure Constitutional problems do not exist) must be receipted to the General Fund of the school corporation and included as miscellaneous revenues when preparing the school corporation budget. IC 20-33-10-4(c) provides that an official recruiting representative may be required to pay a fee for copying and mailing the high school student directory information described in an amount that is not more than the actual cost incurred by the high school. The anticipated expenditure of these fees for educational materials and supplies shall be included in the appropriation for that purpose. If done in this manner, provisions will be made for the furnishing of the materials and supplies by the board of school trustees in the prescribed manner and will not affect the tax rate if the collections are sufficient to offset the expenditures as estimated. Textbook rental funds maintained at a school building may be used to temporarily record proper fees collected (as a convenience during the collection process of textbook rental). However, proper educational fees belong in the school corporation general fund and should be transferred timely. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

CONCORD COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2018, with Rebecka Smith, CFO; Sue Oakley, Treasurer; John D. Trout, Superintendent of Schools; Tim A. Yoder, President of the School Board; Kami Wait, Vice President of the School Board; Jennifer Davis, School Board member; and Catherine Tahmassebi, School Board member.