

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
EASTERN HOWARD SCHOOL CORPORATION
HOWARD COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
05/30/2018

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 2 |
| Transmittal Letter | 3 |
| Federal Findings: | |
| Finding 2016-001 | |
| Schedule of Expenditures of Federal Awards..... | 4-6 |
| Finding 2016-002 | |
| Child Nutrition Cluster - Cash Management, Eligibility, Special Tests and | |
| Provisions - Verification of Free and Reduced Price Applications (NSLP)..... | 6-8 |
| Finding 2016-003 | |
| Child Nutrition Cluster - Procurement and Suspension and Debarment | 8-10 |
| Finding 2016-004 | |
| Child Nutrition Cluster - Program Income | 11-13 |
| Finding 2016-005 | |
| Child Nutrition Cluster - Reporting | 13-15 |
| Corrective Action Plan..... | 16-22 |
| Audit Result and Comment: | |
| Prepaid School Meal Accounts..... | 23 |
| Exit Conference..... | 24 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|------------------------------|----------------------|
| Treasurer | Teresa Vester | 07-01-14 to 06-05-17 |
| | Jennifer Smith | 06-06-17 to 07-17-17 |
| | Travis Hueston | 07-18-17 to 12-31-18 |
| Superintendent of Schools | Dr. Tracy Cadell (Vacant) | 07-01-14 to 06-23-17 |
| | Dr. Keith Richie | 06-24-17 to 06-25-17 |
| | | 06-26-17 to 12-31-18 |
| President of the School Board | Brian Day | 01-01-14 to 12-31-14 |
| | Mark Lantz | 01-01-15 to 12-31-15 |
| | Matthew J. Adams | 01-01-16 to 12-31-16 |
| | Brian Day | 01-01-17 to 12-31-17 |
| | Aimee Romero | 01-01-18 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE EASTERN HOWARD SCHOOL
CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Eastern Howard School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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, incorporated within this report, was not verified for accuracy.

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

May 1, 2018

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

This is a repeat of finding from the immediately prior audit. The prior audit finding number was 2014-001.

Condition

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

Context

Due to the lack of controls, the SEFA contained the following errors:

1. The Special Education Cluster (IDEA) was understated \$189,678 and \$925 for school years 2014-2015 and 2015-2016, respectively.
2. The National School Lunch Program was understated \$42,111 and \$43,111 for school years 2014-2015 and 2015-2016, respectively.
3. The Title I Grants to Local Educational Agencies were understated \$47,053 for school year 2015-2016.
4. The Special Education Cluster (IDEA) pass through was overstated \$301,780 for school year 2014-2015.
5. The Supporting Effective Instruction State Grant was understated \$6,153 for school year 2015-2016.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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

"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. . . .

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § __.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-002

Subject: Child Nutrition Cluster - Cash Management, Eligibility,
Special Tests and Provisions - Verification of Free
and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Special Tests
and Provisions - Verification of Free and
Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior report regarding Cash Management and Eligibility. The prior audit finding number was 2014-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Cash Management

Management of the School Corporation had not established procedures to ensure that the School Lunch fund cash balances were less than or equal to the three months average expenditures.

Eligibility

Management of the School Corporation had not established an effective control to ensure that the eligibility determinations were properly determined.

The Elementary Secretary and the High School ECA Treasurer were responsible for determining eligibility for free and reduced price meals, but determinations were performed independently, without oversight or review on paper submitted applications.

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Management of the School Corporation had not established effective controls to ensure that verifications were properly performed. The Food Service Director performed the verifications of free and reduced price meal applications and made the determination of whether or not a change in eligibility was necessary without a proper system of oversight or review.

Context

The lack of controls was a systemic problem, 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:

(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 of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Cash Management, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.

FINDING 2016-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, Nation School Lunch Program

CFDA Numbers: 10.553, 10.555

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not perform, nor did they obtain documentation that its purchasing service performed the required Procurement and Suspension and Debarment compliance requirement procedures.

Context

The lack of controls was a systemic issue throughout the audit period. The procedures for obtaining and documenting the procurement and suspension and debarment was not provided to support the Procurement and Suspension and Debarment compliance requirement.

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

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.21(c) states in part:

"*Procedures.* . . . A school food authority may use its own procurement procedures which reflect applicable State and local laws and regulations, provided that procurements made with nonprofit school food service account funds adhere to the standards set forth in this part and §§ 3016.36(b) through 3016.36(i), 3016.60 and 3019.40 through 3019.48 of this title, as applicable, and in the applicable Office of Management and Budget Circulars. School food authority procedures must include a written code of standards of conduct meeting the minimum standards of § 3016.36(b)(3) or § 3019.42 of this title, as applicable.

- (1) *Pre-issuance review requirement.* . . . The school food authority must make available, upon request by the State agency, its procurement documents, including but not limited to solicitation documents, specifications, evaluation criteria, procurement procedures, proposed contracts and contract terms. . . ."

7 CFR 220.16(c) states in part:

"*Procedures.* . . . The school food authority may use its own procurement procedures which reflect applicable State and local laws and regulations, provided that procurements made with nonprofit school food service account funds adhere to the standards set forth in this part and §§ 3016.36(b) through 3016.36(i), 3016.60 and 3019.40 through 3019.48 of this title, as applicable, and in the applicable Office of Management and Budget Circulars. School food authority procedures must include a written code of standards of conduct meeting the minimum standards of § 3016.36(b)(3) or § 3019.42 of this title, as applicable.

- (1) *Pre-issuance review requirement.* . . . The school food authority must make available, upon request by the State agency, its procurement documents, including but not limited to solicitation documents, specifications, evaluation criteria, procurement procedures, proposed contracts and contract terms. . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

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

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 3016.42 states in part:

"(a) *Applicability.* (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit relating to the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system, which would have ensured that procurement and suspension and debarment was properly identified prevented the determination of the School Corporation's compliance with the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to enable the determination on the School Corporation's compliance with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers or Years (or Other Identifying Numbers): FY 2014/2015, FY 2015/2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior finding number was 2014-002.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

It could not be determined if the School Corporation complied with requirements for accounting of program income generated from the operation of the food service programs. The School Corporation established a single fund, the School Lunch fund, to account for all activity of the food service programs. Due to the method of recordkeeping, it could not be verified whether the School Corporation met the requirements for the Program Income compliance requirement.

Context

The lack of internal controls was a systemic issue throughout the audit period. The procedures for collecting and recording program income prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

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). . . ."

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(c) states:

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

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

2 CFR 200.302(b)(3) states:

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

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.* (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.33 states in part:

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have enabled the determination of the School Corporation's compliance with the Program Income compliance requirement.

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system, which would have ensured that program income was properly identified prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure proper collecting and recording of program income to enable the determination on the School Corporation's compliance with the Program Income compliance requirement.

Views of Responsible Officials

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

FINDING 2016-005

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 Number and Years (or Other Identifying Numbers): FY 2014/2015, FY 2015/2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior report. The prior audit finding number was 2014-004.

Condition

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

There were no controls in place to ensure that required reports were complete and accurate prior to submission or that supporting documentation for certain reports was maintained.

The Sponsor Claim (claims for reimbursement), Annual Financial Report (AFR), and School Food Authority (SFA) Verification Collection Report were required reports that were prepared by the Treasurer or Food Service Director; however, there was no documented control over the required reports to ensure its accuracy before being submitted.

The School Corporation did not provide documentation to support the information on the Annual Financial Reports for fiscal year 2015 and fiscal year 2016. The School Corporation did not provide documentation to support the information on the School Food Authority (SFA) Verification Collection Reports for fiscal year 2015 and fiscal year 2016.

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue throughout the audit period. The procedures for documenting the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Reports prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.20(b)(2) states:

"*Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.* (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

- (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
- (ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.* (1) Except as otherwise provided, records must be retained for three years . . ."

EASTERN HOWARD SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit relating to the Reporting compliance requirement.

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Questioned Costs

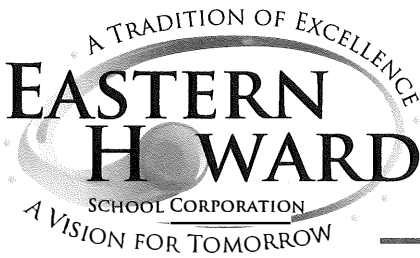
There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation was maintained and made available for audit relating to the Reporting compliance requirement.

Views of Responsible Officials

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



Dr. Keith Richie
Superintendent of Schools

221 West Main Street
Suite One
Greentown, IN 46936-1455

☎: 765.628.3391
☎: 765.628.5017
✉: keith.richie@eastern.k12.in.us
🌐: www.eastern.k12.in.us

CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014 – 6/30/2016

FINDING 2016-001

SEFA – Material weakness, Noncompliance

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Email/Phone Number: travis.hueston@eastern.k12.in.us/(765) 628-3391

The corporation has not previously had a procedure to verify the amounts reported in the SEFA, resulting in erroneous data being reported.

OMB Circular A-133, Subpart C, section.300
OMB Circular A-133, Subpart C, section .310(b)

We agree with the repeat finding identified

The corporation did not completely understand the importance of a verification process to ensure correct data was being reported, under previous administrators. The Superintendent and Treasurer’s positions have since experienced turnover and current administration understands and accepts the importance of internal control procedures.

Description of Corrective Action Plan:

As the new treasurer of the corporation, preparation of the SEFA is a function I will learn as quickly as possible. Once I have prepared the SEFA, our Deputy Treasurer will review and verify the information reported. The report will be shared with and reviewed by the Superintendent prior to finalization and submission. Treasurer, Deputy Treasurer and Superintendent will all sign/initial after their review is complete.

Anticipated Completion Date: 6/30/2018



(Signature)

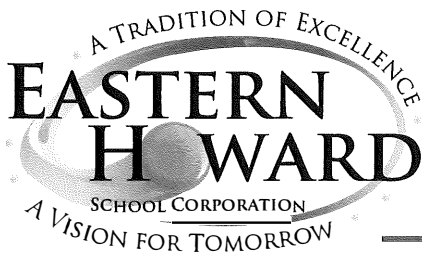
Treasurer

(Title)

5/1/2018

(Date)

Eastern Howard School Corporation will provide academic, social, and physical opportunities to all students in order to allow them to pursue their fullest potential and to prepare them to be responsible and productive citizens.



Dr. Keith Richie
Superintendent of Schools

221 West Main Street
Suite One
Greentown, IN 46936-1455

☎: 765.628.3391
☎: 765.628.5017
✉: keith.richie@eastern.k12.in.us
🌐: www.eastern.k12.in.us

CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014- 6/30/2016

FINDING 2016-002

Child Nutrition Cluster – Cash Management, Eligibility, Special Tests & Provisions-Verification of Free & Reduced Price Applications (NSLP)

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Email/Phone Number: travis.hueston@eastern.k12.in.us/(765) 628-3391

For Cash Management: the corporation needs to implement monthly reports that will verify the school lunch fund is less than or equal to the three month average expenditures in the account.

For Eligibility: the corporation needs to implement a procedure for multiple checks of applications

For Special Tests, etc.: an additional review of the test of 3% of our applications was not performed

OMB Circular A-133, Subpart C, section .300
2 CFR 200.303

We agree with the repeat finding identified

The corporation did not realize the importance of multiple employees checking and verifying applications.

Description of Corrective Action Plan:

-Cash Management

The treasurer will calculate 3 month average expenditures and compare to month end lunch fund balances to ensure compliance. This calculation will be updated and communicated monthly with the Food Services Director.

Anticipated Completion Date: 6/30/2018

-Eligibility

Skyward software system is in place to determine eligibility. The software is updated with the correct formula to calculate eligibility. Following the Skyward determination, the ECA Treasurers will initially review for accuracy. Building Administrators will review for final determination at the beginning of each school year, and throughout the school year as needed.

Anticipated Completion Date: 6/30/2018

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

The Food Service Director will select a sample of 3% of total applications to verify at the beginning of each school year. The ECA Treasurers will recalculate eligibility and the Food Service Director will sign off/initial upon reviewing those recalculations.

Anticipated Completion Date: 8/1/2018

Eastern Howard School Corporation will provide academic, social, and physical opportunities to all students in order to allow them to pursue their fullest potential and to prepare them to be responsible and productive citizens.

Justin H. ...

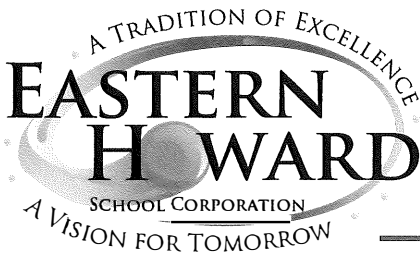
(Signature)

Treasurer

(Title)

5/1/2018

(Date)



Dr. Keith Richie
Superintendent of Schools

221 West Main Street
Suite One
Greentown, IN 46936-1455

☎: 765.628.3391
☎: 765.628.5017
✉: keith.richie@eastern.k12.in.us
🌐: www.eastern.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Phone Number: (765) 628-3391

Views of Responsible Official:
We concur with the findings

Description of Corrective Action Plan:
We will maintain a record related to the Procurement and Suspension and Debarment compliance requirement. Records will be kept either electronically or hardcopies in a centralized location to ensure those records are available upon request.

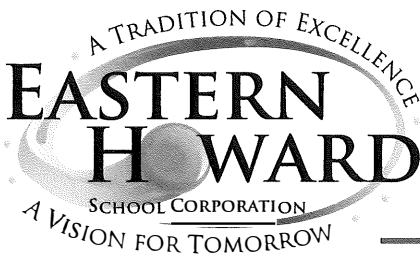
Anticipated Completion Date: 5/1/2018

(Signature)

(Title)

(Date)

Eastern Howard School Corporation will provide academic, social, and physical opportunities to all students in order to allow them to pursue their fullest potential and to prepare them to be responsible and productive citizens.



Dr. Keith Richie
Superintendent of Schools

221 West Main Street
Suite One
Greentown, IN 46936-1455

☎: 765.628.3391
☎: 765.628.5017
✉: keith.richie@eastern.k12.in.us
🌐: www.eastern.k12.in.us

CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014 – 6/30/2016

FINDING 2016-004

Child Nutrition Cluster – Program Income

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Phone Number: (765) 628-3391

The corporation implemented the use of the fund 8400 just as the reporting period ended. This resulted in there not being sufficient evidence that the use of fund 8400 was proper and consistent with set guidelines.

OMB Circular A-133, Subpart C, section .300
2 CFR 200.303
7 CFR 210.14(c)
7 CFR 220.13(i)
2 CFR 200.302(b)(3)
7 CFR 3016.20(b)(2)
7 CFR 3016.42
2 CFR 200.33

We agree with the repeat finding identified

There was not enough evidence by the end of the audit period for examiners to determine, through testing, whether there were any issues present. Presently, we are following the procedures outlined below.

Description of Corrective Action Plan:

ECA Treasurers at each building remit total lunch fund receipts to the business office on a monthly basis. Each report is verified for correct balance per student by the Treasurer. The check is receipted into fund 8400 by the Deputy Treasurer and reviewed/approved by the Treasurer. An accounts payable voucher is produced by Treasurer, submitted to accounts payable for payment of actual lunch sales. The Deputy Treasurer receipts this check into fund 0800 upon review/approval of Treasurer. The Food Service Director inputs monthly data in NSLP website for reimbursement from the Department of Agriculture via the IDOE. This EFT receipt is deposited into fund 0800 by Deputy Treasurer upon review/approval of Treasurer.

Anticipated Completion Date: we are currently following the procedure outlined above

Eastern Howard School Corporation will provide academic, social, and physical opportunities to all students in order to allow them to pursue their fullest potential and to prepare them to be responsible and productive citizens.

Friedman

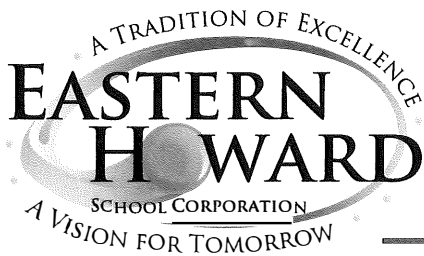
(Signature)

Treasurer

(Title)

5/1/2018

(Date)



Dr. Keith Richie
Superintendent of Schools

221 West Main Street
Suite One
Greentown, IN 46936-1455

☎: 765.628.3391
☎: 765.628.5017
✉: keith.richie@eastern.k12.in.us
🌐: www.eastern.k12.in.us

CORRECTIVE ACTION PLAN FOR EASTERN HOWARD SCHOOL CORPORATION

Report Period: 7/1/2014 – 6/30/2016

FINDING 2016-005

Child Nutrition Cluster - Reporting

Contact Person Responsible for Corrective Action: Travis Hueston, Treasurer
Contact Email/Phone Number: travis.hueston@eastern.k12.in.us/(765) 628-3391

The corporation has not previously had a procedure to verify the amounts reported in the various reports. Documentation was not kept in a place in which it could easily be produced for examiners.

OMB Circular A-133, Subpart C, section.300
2 CFR 200.303
7 CFR 3016.20(b)(2)
7 CFR 3016.42

We agree with the repeat finding identified

The corporation did not completely understand the importance of a verification process to ensure correct data was being reported, under previous administrators. The Superintendent and Treasurer's positions have since experienced turnover and current administration understands and accepts the importance of internal control procedures.


Description of Corrective Action Plan:

The corporation will have more control over this process since we no longer employ Sodexo as Food Management Service. The corporation now employs a dedicated Food Service Director. The Food Service Director will provide documentation to the Treasurer for compilation of the AFR and other various reports. The Treasurer will submit required reports following the Food Service Director's review and approval. All records/documentation will kept electronically or hardcopies in a centralized location to ensure those records are available upon request.

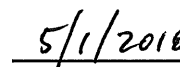
Anticipated Completion Date: 6/30/2018



(Signature)



(Title)



(Date)

Eastern Howard School Corporation will provide academic, social, and physical opportunities to all students in order to allow them to pursue their fullest potential and to prepare them to be responsible and productive citizens.

EASTERN HOWARD SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B46547, titled *PREPAID LUNCH FUND*.

Prepaid lunch receipts were not placed in Prepaid Lunch Fund, fund 8400 a clearing account. Receipts were instead accounted for in the School Lunch fund, fund 800. The entire amount of prepaid lunch receipts were recognized in the School Lunch fund at the time of receipt as revenue and not as applied from the clearing account as students consumed their individual account balances.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

EASTERN HOWARD SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 1, 2018, with Travis Hueston, Treasurer; Dr. Keith Richie, Superintendent of Schools; and Amiee Romero, President of the School Board.