

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTH HARRISON COMMUNITY
SCHOOL CORPORATION
HARRISON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
06/01/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela L. Seipel	01-01-14 to 12-31-18
Superintendent of Schools	Dr. Mark A. Eastridge	07-01-14 to 06-30-18
President of the School Board	Mary J. Mathes	01-01-14 to 12-31-18



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TO: THE OFFICIALS OF THE SOUTH HARRISON COMMUNITY
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

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

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

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

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

May 7, 2018

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

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

Condition

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into Indiana Gateway for Government Units (Gateway), which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA presented for audit contained the following errors:

1. The Special Education Grants to States program was overstated by \$508,476 for the fiscal year 2016.
2. The Special Education Preschool Grants program was overstated by \$14,639 for the fiscal year 2016.
3. The College Access Challenge Grant Program was understated by \$2,063 for the fiscal year 2015.

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

Criteria

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

"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. . . .

SOUTH HARRISON COMMUNITY 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*.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting of some payroll transactions. The payroll deduction clearing bank account was used to account for employee withholding activity to four payroll vendors using an electronic payment method (ACH) that did not require checks. These amounts were set up in the payroll system as payroll direct deductions. The receipt and disbursement activity was not recorded to the clearing accounts in the School Corporation's financial records. The deductions did not appear on the School Corporation's vendor history reports, revenue reports, or expense reports and the deductions were not approved by the School Board.

Context

The lack of controls over Financial Transactions and Reporting of these payroll transactions was a systemic problem throughout the entire audit period. The activity for the four payroll vendors totaled \$288,812 for fiscal year 2015 and \$284,252 for fiscal year 2016.

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

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.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payments of the claim. . . ."

Clearing Accounts serve as control accounts for certain areas of the accounting system. Therefore, they must be supported by receipts and disbursement entries in the general ledger and the subsidiary ledgers or other supporting records. The clearing accounts are subsidiary records only and should not be used in lieu of proper and prescribed reporting of receipts, disbursements, and balance of the funds of the school corporation in accordance with IC 5-11-1-2. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 7)

Cause

Management of the School Corporation had not established a proper system of internal control to ensure all financial activity was reported within the financial records.

Effect

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

Recommendations

We recommended that the School Corporation's management establish a system of internal controls related to Financial Transactions and Reporting to ensure that all financial activity is properly recorded within the financial records.

Views of the Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program, School Breakfast Program
CFDA Numbers: 10.555, 10.553
Federal Award Number and Year (or Other Identifying Number): 3190
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The School Corporation failed to comply with the Cash Management compliance requirement that the net cash resources in the School Lunch fund should not exceed three months average expenditures for its nonprofit school food service program.

Context

The net cash resources in the School Lunch fund exceeded 3 months average expenditures for 11 out of the 12 months during the 2014-2015 school year. The excess cash balances ranged in amounts from \$44,148 to \$196,458. This was a systemic problem for just the 2014-2015 school year.

Criteria

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

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

7 CFR 210.14(b) states: "*Net cash resources.* The School food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the state agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the Cash Management compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the Cash Management compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Cash Management 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 2016-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program, School Breakfast Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3190
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Salaries and benefits were approved in summary totals only. Details of salary and benefit transactions comprised of summary totals were not reviewed to verify that employees' costs expended to the grant funds were for employees that had actually performed work for the grant program and that the costs charged were proper. No controls were in place to ensure compliance with time and effort reporting requirements; therefore, none of the required reports or time records were properly maintained.

Context

No detailed payroll distribution records were presented to the School Board for review prior to payment of salaries and wages from grant funds. This was a systemic problem for the entire audit period. No Semi-Annual Certifications or Personnel Activity Reports were completed for any employees whose costs were charged to the School Breakfast Program and National School Lunch Program during fiscal year 2015. Although time records were maintained for fiscal year 2016, they did not specifically indicate what activities the employee worked on.

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. . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.20(b) states in part:

". . . (5) *Allowable Costs*. Applicable OMB cost principles, agency program regulations, and the terms of the grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability costs.

(6) *Source documentation*. Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

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 audit period covered by the certification. Their certifications will be prepared at least semiannually 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 substitute system has been approved by the cognizant Federal agency. . . ."

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); . . .

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
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's management did not have a system in place that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the compliance requirement to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funding.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3190
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective internal control system that would have ensured compliance with the Suspension and Debarment compliance requirement.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The School Corporation utilized a third-party purchasing agent for food purchases. Procedures used by the third-party purchasing agent were not reviewed to determine that requirements for suspension and debarment were being followed. During the audit period, the School Corporation did not determine if vendors paid through the National School Lunch Program and School Breakfast Program had been suspended or debarred from participation in federal programs.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 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."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Suspension and Debarment compliance requirement.

Effect

The failure to establish internal controls enabled 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.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the 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.

FINDING 2016-006

Subject: Child Nutrition Cluster - Activities Allowable or Unallowed, Eligibility, Reporting, Program Income, Special Tests and Provisions - School Food Accounts and National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Programs: National School Lunch Program, School Breakfast Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 3190

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowable or Unallowed, Eligibility, Reporting, Program Income, Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Eligibility, Reporting, Program Income, Special Tests and Provisions - School Food Account, and Special Tests and Provisions - Paid Lunch Equity.

Activities Allowed or Unallowed

Expenditure reports had limited detail transactions with a reference of payroll transactions and benefits. These transactions were reference in summary totals. No procedures were in place to review the detail of the summary transactions to verify the activities were allowable.

Eligibility

Determination of eligibility was made by one individual without the oversight or review by another individual.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Reporting

Monthly Sponsor Claims (claims for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were completed by one individual without the oversight or review by another individual.

Program Income

Proper procedures were not in place to ensure financial activity related to program income was properly recorded in the financial records. The prepaid food control account was not reconciled with the detail student subsidiary record to ensure that all sales transactions recorded in the subsidiary records were properly identified and recorded in the financial ledger.

Special Tests and Provisions - School Food Accounts

The same individual responsible for receipting transactions to the ledger for the school lunch account was also responsible for reviewing the financial transactions of the School Lunch fund to verify that all school lunch receipts were properly recorded and all expenditures were related to the improvement of the school lunch program.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

One individual was responsible for computing the paid lunch equity meal pricing without oversight or review to ensure the pricing was calculated correctly and in compliance with the program requirements.

Context

The lack of adequate internal 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:

(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). . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
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 above mentioned compliance requirements. Non-compliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, 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 2016-007

Subject: Title I Grant to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-3190, 15-3190, 16-3190
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-003.

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Proper controls were not in place to ensure costs associated with salaries and benefits were properly charged and allocated to the grant program. Salaries and benefits were approved in summary totals only. Details of salary and benefit transactions were not reviewed to verify that employees' costs expended were for employees that had performed work for the grant program and were in agreement with supporting time records.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Proper controls were not in place to ensure that detailed documentation supporting all adjustment/transfer transactions was being reviewed and approved prior to the recording of the transactions. Adjustments/transfers were approved in summary total only. In addition, controls were not in place to ensure that any adjustments/transfer transactions for benefits related to salaries were required.

Procedures were not in place to ensure all employees completed Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personal expenses. Semi-Annual Certifications, Personnel Activity Report, or other documentation of personal expenses were not completed for all employees or were not properly completed for employees who performed services for the grant program.

Context

No detailed payroll distribution records or detailed supporting documentation for adjustment/transfer transactions were presented to the School Board for review prior to payment of salaries and wages or recording of adjustments/transfers from grant funds. This was a systematic problem for the entire audit period.

For nine of the employees tested, Semi-Annual Certifications were completed; however, the employees should have completed Personnel Activity Reports, since they worked on other activities outside of the Title I programs. For thirty-one employees paid from Title I funds, no Personnel Activity Reports, Semi-Annual Certifications, or other documentation of personal expenses were completed.

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. . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

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 or their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the audit period covered by the certification. These certifications will be prepared at least semiannually 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 . . . or substitute system has been approved by the cognizant Federal agency. . . ."

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. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states: "Title I funded staff paid solely from Title I funds complete a Semi-Annual Certification twice a year. Employees who work on multiple activities must maintain a time and effort log at least once a month."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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 2016-008

Subject: Title I Grants to Local Educational Agencies - Activities
Allowed or Unallowed, Period of Performance

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): 14-3190, 15-3190, 16-3190

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Period of Performance

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Activities Allowed or Unallowed. The prior audit finding number was 2014-003.

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed and Period of Performance.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed

There were no controls in place to ensure expenditures charged to the grant program were for allowable activities. Summary total amounts recorded to the grants with the ledger reference description, payroll transactions; FICA; or insurance, were not reviewed to ensure the underlying detailed transactions actually related to the ledger posting description and were for allowable activities. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were for allowable activities.

Period of Performance

There were no controls in place to ensure the underlying obligation for salary and benefit expenditures charged to the grant program were within the period of performance. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were within the period of performance.

Context

The lack of adequate internal 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:

(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 including the segregation of 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 above mentioned compliance requirements. Non-compliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-009

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Cash Management, 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): 99914-028-TA01, 14213-028-PN01, 14214-028-PN01, 14215-028-PN01, 14216-028-PN01, 45715-028-PN01, 45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Cash Management, Period of Performance

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding Activities Allowed or Unallowed. The prior audit finding number was 2014-005.

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: Activities Allowed or Unallowed, Cash Management, and Period of Performance.

Activities Allowed or Unallowed

There were no controls in place to ensure expenditures charged to the grant programs were for allowable activities. Summary total amounts recorded to the grants with the ledger reference description, payroll transactions; FICA; or insurance, were not reviewed to ensure the underlying detailed transactions actually related to the ledger posting description and were allowable activities. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were for allowable activities.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management

There were no controls in place to ensure that cash reimbursement requests were reviewed by someone other than the preparer and to verify that the amounts requested were in agreement with the underlying financial records for costs that had been paid prior to making the request.

Period of Performance

There were no controls in place to ensure the underlying obligation for salary and benefit expenditures charged to the grant programs were within the period of performance. Detailed information supporting adjustment transactions were not reviewed to verify the underlying transactions were within the period of performance.

Context

The lack of adequate internal 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:

(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, including the segregation of 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 above mentioned compliance requirements. Non-compliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-010

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.173, 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-028-TA01, 14213-028-PN01,
14214-028-PN01, 14215-028-PN01,
14216-026-PN01, 45715-028-PN01,
45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-005.

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. There were no controls in place to verify that backup documentation per the financial ledger attached to the Final Financial Expenditure Reports were in agreement with amounts reported on the Final Financial Expenditure Reports submitted. There were no controls in place whereby Cash Request for Reimbursement were reviewed by someone other than the preparer prior to the request being submitted.

The Final Expenditure Reports and Cash Request for Reimbursement submitted did not agree with the underlying accounting financial ledger reports for the grant funds. Expenditures were recorded to the financial records in excess of the grant award budget amounts. As a result of overspending the grant award amounts, the grant funds had deficit balances. Management resolved the deficits in the grant funds by transferring monies from local sources.

Context

One Final Expenditure Report submitted during fiscal year 2015 did not match the School Corporation's underlying ledger expenditure reports that were attached as supporting documentation. Two Final Expenditure Reports submitted during fiscal year 2016 did not match the School Corporation's expenditure reports that were attached as supporting documentation.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

One Cash Request for Reimbursement report submitted during fiscal year 2015 did not match the School Corporation's underlying ledger expenditure report attached to support the amount being requested. The amount requested to be reimbursed was less than the amount shown as expended in the ledger. The School Corporation was forced to request less than the actual amount reported in the ledger due to the fact that expenditures recorded were in excess of the approved grant budget award amounts.

The following differences existed between the amounts reported on the Final Expenditure Reports and the Cash Request for Reimbursement and the total expenditures for the fund per the ledger reports:

<i>Final Financial Expenditure Report</i>						
Fund Number	Grant Award Number	Report Filed	Grant Award Amount	Final Expenditure Report Amount	Total Grant Expenditures Per Funds Ledger	Difference
5209	14213-028-PN01	12/11/2014	\$ 1,389,959	\$ 1,389,865	\$ 2,202,010	\$ (812,145)
5202	14214-028-PN01	11/30/2015	1,355,436	1,355,436	1,381,603	(26,167)
5403	45715-028-PN01	11/30/2015	35,879	35,879	39,068	(3,189)

<i>Request for Advance or Reimbursement Report</i>						
Fund Number	Grant Award Number	Report Filed	Grant Award Amount	Cash Reimbursement Report Amount	Total Grant Expenditures Per Funds Ledger	Difference
5403	45715-028-PN01	6/1/2015	\$ 35,879	\$ 7,973	\$ 11,162	\$ (3,189)

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(b)(1) states: "*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."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Cause

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

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

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: 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: 84.173, 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-028-TA01, 14213-028-PN01,
14214-028-PN01, 14215-028-PN01,
14216-026-PN01, 45715-028-PN01,
45716-028-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-005.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Proper controls were not in place to ensure costs associated with salaries and benefits were properly charged and allocated to the grant programs. Salaries and benefits were approved in summary totals only. Details of salary and benefit transactions were not reviewed to verify that employees' costs expended were for employees that had performed work for the grant programs and were in agreement with the amounts reported on supporting time records.

Proper controls were not in place to ensure that detailed documentation supporting all adjustment/transfer transactions was being reviewed and approved prior to the recording of the transactions. Adjustments/transfers were approved in summary total only. In addition, controls were not in place to ensure that any adjustments/transfer transactions for benefits related to salaries were required.

Proper controls were not in place to ensure all employees completed Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personal expenses. Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personal expenses were not completed for some employees that were paid from special education funds. In addition, no controls were in place to verify the accuracy of the Personnel Activity Reports or other documentation of personal expenses to the employee time cards.

Context

No detailed payroll distribution records or detailed supporting documentation for adjustment/transfer transactions were presented to the School Board for review prior to payment of salaries and wages or recording of adjustments/transfers from grant funds. This was a systematic problem for the entire audit period.

A review of grant expenditures for fiscal year 2015 identified actual unallowable costs of \$199 for freight, shipping, and surcharges paid from grant funds. This resulted in projected likely unallowable costs in the amount of \$3,119. A review of grant expenditures for fiscal year 2016 identified actual unallowable costs of \$4,121 for shipping and payroll adjustments that did not have proper supporting documentation to determine if costs have been properly allocated. This resulted in projected likely unallowable costs in the amount of \$23,036.

During the review of Semi-Annual Certifications, Personnel Activity Reports, for fiscal year 2016, or other documentation of personnel expenses five instances were noted where proper documentation was not maintained for employees paid from grant funds. Four of the five instances involved substitute teachers.

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. . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

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. . . ."

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 or their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the audit period covered by the certification. Their certifications will be prepared at least semiannually 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 that standards in subsection (5) unless a statistical sampling system . . . or substitute system have been approved by the cognizant Federal agency. . . ."

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$4,320 were identified.

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.



South Harrison: Safe ♦ Supportive ♦ Successful

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation has established a control process which provides for a review of the data input into Gateway to verify accuracy prior to submission. This review will be conducted by someone other than the one inputting information into Gateway.

Anticipated Completion Date: Effective with the June 30, 2018 submission.

FINDING 2016-002

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation will contact financial software vendor to incorporate the payroll deduction clearing account into the records and record the transactions within.

Anticipated Completion Date: Fall 2018

FINDING 2016-003

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent

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Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:
Monthly comparison of fund balance to the calculated three month average expenditures.

Anticipated Completion Date: Immediate

FINDING 2016-004

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedures will be implemented:
Detailed salary and benefit transactions will be reviewed to verify allowable costs.

Payroll distribution reports will be reviewed and employees will complete the report. These records will then be reviewed and maintained.

Anticipated Completion Date: June 30, 2018

FINDING 2016-005

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:
The Suspension and Debarment listing will be searched to verify that vendors are not included therein.

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Anticipated Completion Date: June 30, 2018

FINDING 2016-006

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedures will be implemented:
Each of these times will be reviewed by someone other than the preparer during the food service meetings:

- Detailed salary and benefit transactions;
- Eligibility determination;
- Monthly claims for reimbursement;
- Annual financial reports;
- Verification summary reports;
- Recording of program income;
- Reconciliation of prepaid food control account;
- Details of all receipts and expenditures to/from School Lunch Fund; and,
- Paid lunch equity meal pricing.

Anticipated Completion Date: Immediate

FINDING 2016-007

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedures will be implemented:
Detailed salary and benefit transactions will be reviewed by the program director prior to the submission of reimbursement requests and/or transfers to verify that the costs are both allowable and within the period of performance.

Payroll distribution reports will be reviewed and compared to time and effort reporting logs to determine

South Harrison: Safe ✦ Supportive ✦ Successful

that all required employees are completing the correct form. These records will then be reviewed and maintained in the grant files.

Anticipated Completion Date: Immediate

FINDING 2016-008

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:
Detailed salary and benefit transactions will be reviewed by the program director prior to the submission of reimbursement requests and/or transfers to verify that the costs are both allowable and within the period of performance.

Anticipated Completion Date: Immediate

FINDING 2016-009

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:
Detailed salary and benefit transactions will be reviewed by the program director prior to the submission of reimbursement requests and/or transfers to verify that the costs are both allowable and within the period of performance.

Anticipated Completion Date: Immediate

FINDING 2016-010

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Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedure will be implemented:
Detailed expenditure reports will be included with the final reports and will be reviewed by the program director prior to submission for purposes of verifying allowable cost and period of performance.

Anticipated Completion Date: Immediate

FINDING 2016-011

Contact Person Responsible for Corrective Action: Dr. Mark A. Eastridge, Superintendent
Pam Seipel, Treasurer
Carolyn Wallace, Director of Business Operations

Contact Phone Number: (812) 738-2168

View of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The following control procedures will be implemented:
Detailed salary and benefit transactions will be reviewed by the program director or by someone other than the preparer to verify allowable costs prior to the submission of reimbursement requests and/or completion of transfers.

Payroll distribution reports will be reviewed and compared to time and effort reporting logs to determine that all required employees are completing the correct form. These records will then be reviewed and maintained in the grant files.

Anticipated Completion Date: Immediate

Signatures:


Dr. Mark E. Eastridge
Superintendent


Pamela L. Seipel
Treasurer


Carolyn E. Wallace
Director of Business Operations

SOUTH HARRISON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2018, with Dr. Mark A. Eastridge, Superintendent of Schools; Pamela L. Seipel, Treasurer; Carolyn E. Wallace, Director of Business Operations; and Mary J. Mathes, President of the School Board.