

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

EASTERN GREENE SCHOOLS

GREENE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
06/07/2018



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2016-001	
Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate.....	4-5
Finding 2016-002	
School Breakfast Program and National School Lunch Program - Program Income .....	5-7
Finding 2016-003	
Child Nutrition Cluster - Reporting .....	7-9
Finding 2016-004	
National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity .....	9-11
Corrective Action Plan.....	12-15
Audit Result and Comment:	
Prepaid School Meal Accounts.....	16
Exit Conference.....	17

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marilyn Burch	07-01-14 to 06-30-18
Superintendent of Schools	Arthur T. Baechtold, Jr.	07-01-14 to 06-30-18
President of the School Board	Michael Adams Ron Childress	07-01-14 to 12-31-16 01-01-17 to 12-31-18



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE EASTERN GREENE SCHOOLS, GREENE COUNTY, INDIANA

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

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

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

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

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

May 3, 2018

EASTERN GREENE SCHOOLS  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
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): Proj# 14-2940, Proj# 15-2940, Proj# 16-2940  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation had one employee primarily responsible for obtaining documentation to support a student's removal from a cohort. There was no documentation of an oversight or review process in place to ensure compliance with this compliance requirement.

*Context*

This was a systemic issue 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). . . ."

EASTERN GREENE SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that segregated key functions to ensure compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Effect*

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

*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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2016-002***

Subject: School Breakfast Program and National School Lunch Program - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement. There were no procedures established to ensure that the receipts of the School Breakfast Program and National School Lunch Program were handled properly in accordance with the Program Income compliance requirement.

EASTERN GREENE SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The School Corporation established a single fund, the School Lunch fund, for all activity of the food service programs. When prepaid funds were received, they were receipted into the School Lunch fund as a separate prepaid revenue account within the fund. Sales records were maintained; however, meals purchased were not transferred from the prepaid revenue account to the correct revenue account within the School Lunch fund. Therefore, the sources of revenues were not properly identified within the School Lunch fund.

*Context*

The lack of internal controls and noncompliance were systemic issues throughout the audit period. The School Corporation did not design and implement an effective internal control to properly determine and record program income in the School Corporation's ledger.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(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(j) 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."

EASTERN GREENE SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were properly posted to the School Corporation's ledger.

*Effect*

The failure to establish an effective internal control system 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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance related to the grant agreement and the Program Income compliance requirement.

*Views of Responsible Officials*

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

***FINDING 2016-003***

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition*

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

The School Food Authority (SFA) Verification Collection Report for both audit years was prepared and submitted by the Extracurricular Treasurer without a documented oversight, approval, or other internal control process to ensure the accuracy of the information.

EASTERN GREENE SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The monthly Sponsor Claims (claims for reimbursement) were prepared and submitted by the Food Service Director (an employee of Chartwells, the food service management company) with no evidence of oversight, review, or approval throughout the first year of the audit period.

*Context*

Lack of internal controls was a systemic problem throughout the entire audit period for School Food Authority (SFA) Verification Collection Reports. Internal controls did not exist over Sponsor Claims (claims for reimbursement) until the second year of the audit period.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a system of internal controls that segregated key functions of the Reporting compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the Reporting compliance requirement.

EASTERN GREENE SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*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: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

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

*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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The School Corporation did not complete or retain Paid Lunch Equity calculations for the 2015 school year. The School Corporation retained calculations for the 2016 school year, but did not specify on the calculations whether price increases, non-federal source contributions, or a combination of both options would be used to ensure sufficient funds were provided for paid lunches. Therefore, the required calculations were incomplete for both years of the audit period.

The School Corporation had not established internal controls, such as a review or approval process of the completion and accuracy of the Paid Lunch Equity calculation in both 2015 and 2016 school years.

*Context*

The lack of controls and noncompliance were systemic issues 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. . . ."

EASTERN GREENE SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 210.15(b) states in part:

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

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

7 CFR 210.14 states in part:

"(a) *Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.). . . .

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

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

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

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

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

*Cause*

Management had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

EASTERN GREENE SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system 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.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls and ensure compliance related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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 Greene Schools Central Office

1471 N. State Road 43, Bloomfield, IN 47424

Mr. Ted Baechtold, Superintendent

Mrs. Marilyn Burch, Corporation Treasurer

Mrs. Moriah Crane, Payroll Administrative Assistant

Mrs. Cari Helms, Administrative Assistant

Main Office Phone (812) 825-5722 Fax (812) 825-9413



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## CORRECTIVE ACTION PLAN

### **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Ted Baechtold / Marilyn Burch

Contact Phone Number: 812-825-5722

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Superintendent will approve and initial all Title I reimbursement claims, and final reports before submission. The High School Principal will approve and sign all student withdrawals. Copies of all student withdrawal information will be maintained in the student folder and a separate withdrawal folder for audit purposes.

Anticipated Completion Date: Effective immediately, May 3, 2018

Arthur T. (Ted) Baechtold, Jr

Superintendent

May 3, 2018

Marilyn Burch  
Corporation Treasurer

May 3, 2018

# Eastern Greene Schools Central Office

1471 N. State Road 43, Bloomfield, IN 47424

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Mrs. Marilyn Burch, Corporation Treasurer

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Mrs. Cari Helms, Administrative Assistant

**Main Office** Phone (812) 825-5722 Fax (812) 825-9413



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## CORRECTIVE ACTION PLAN

### **FINDING 2016-002**

Contact Person Responsible for Corrective Action: Ted Baechtold / Marilyn Burch

Contact Phone Number: 812-825-5722

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer will deposit all cafeteria pre-paid deposits into a clearing account. As meals are purchased using account money, a daily revenue transfer from the clearing account to the appropriate cafeteria program accounts will occur to reflect these purchases. The Food Service Director will provide an end of month report from Nutri-Kids listing pre-paid account totals and compared to the Komputrol Cafeteria clearing account fund balance.

Anticipated Completion Date: Effective immediately, June 1, 2018

Arthur T. (Ted) Baechtold, Jr  
Superintendent  
May 3, 2018

Marilyn Burch  
Corporation Treasurer  
May 3, 2018

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-003**

Contact Person Responsible for Corrective Action: Ted Baechtold / Marilyn Burch

Contact Phone Number: 812-825-5722

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Building Principal will approve and sign all School Food Authority Verification Collection Reports before submission. The Food Service Director will not submit any Reimbursement Claim or Annual Financial Report without the written approval of the Corporation Treasurer or Superintendent.

Anticipated Completion Date: Effective August 2015 for reimbursement claims and immediately, May 3, 2018 for verification reports.

Arthur T. (Ted) Baechtold, Jr  
Superintendent  
May 3, 2018

Marilyn Burch  
Corporation Treasurer  
May 3, 2018

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## CORRECTIVE ACTION PLAN

### **FINDING 2016-004**

Contact Person Responsible for Corrective Action: Ted Baechtold / Marilyn Burch

Contact Phone Number: 812-825-5722

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer will complete the Paid Lunch Equity Calculator beginning May 2018. The Food Service Director will supply data for the completion of this report. The Paid Lunch Equity Calculator will be approved and signed by the Superintendent before on-line submission. The Corporation Treasurer will attend Indiana School Nutrition Association summer workshops to gain a better understanding of the food service process.

Anticipated Completion Date: Effective immediately, May 3, 2018

Arthur T. (Ted) Baechtold, Jr  
Superintendent  
May 3, 2018

Marilyn Burch  
Corporation Treasurer  
May 3, 2018

EASTERN GREENE SCHOOLS  
AUDIT RESULT AND COMMENT

***PREPAID SCHOOL MEAL ACCOUNTS***

The School Corporation accounted for the prepaid food activity within the School Lunch fund (800). A separate clearing account for the prepaid food activity was not established as prescribed.

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 GREENE SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2018, with Arthur T. Baechtold, Jr., Superintendent of Schools; Marilyn Burch, Treasurer; Ron Childress, President of the School Board; and Moriah Crane, Assistant Treasurer.