

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
NORTH WHITE SCHOOL CORPORATION  
WHITE COUNTY, INDIANA  
July 1, 2015 to June 30, 2017



**FILED**  
06/25/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shellie Ruemler	07-01-15 to 06-30-18
Superintendent of Schools	Dr. Teresa Gremaux	07-01-15 to 06-30-18
President of the School Board	Brian Pogue James White	01-01-15 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH WHITE SCHOOL CORPORATION, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the North White School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://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 29, 2018

NORTH WHITE SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Child Nutrition Cluster - Eligibility and Special Tests and Provisions -  
Verification of Free and Reduced Price Applications (NSLP)  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Eligibility, Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP)  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

The School Corporation did not have controls in place to ensure that free and reduced price applications and verifications of the applications were adequately maintained and safeguarded.

Supporting information used to determine eligibility for 49 percent of students for the 2017 school year was not presented for audit. Verifications of free and reduced price applications were also not presented for audit for the 2017 school year.

*Context*

The lack of controls and failure to provide appropriate audit evidence were systemic issues during the 2017 school year.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

NORTH WHITE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit related to compliance with the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Effect*

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation will be maintained and made available for audit related to the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Views of Responsible Officials*

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

***FINDING 2017-002***

Subject: Child Nutrition Cluster - Procurement and 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 Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding Suspension and Debarment. The prior audit finding number was 2015-004.

*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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have an effective internal control system in place over contracted procurements. The School Board did not approve 50 percent of the contracts entered into by the Food Service Department.

NORTH WHITE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not have adequate policies or procedures in place to ensure that vendors were not suspended or debarred from participation in federal award programs.

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

The lack of controls and the 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. . . ."

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 3016.36(b) states in part: "*Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . ."

Indiana Code 20-26-4-8 states in part:

". . . Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

2 CRF 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.

NORTH WHITE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

You do this by:

- (a) Checking the 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 compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance 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 and comply with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

***FINDING 2017-003***

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017  
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 2015-003.

NORTH WHITE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 Annual Financial Reports, monthly Sponsor Claims (claims for reimbursement), and School Food Authority (SFA) Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

*Context*

The lack of internal controls 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). . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with 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 Reporting 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.

NORTH WHITE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

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

*Views of Responsible Officials*

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



# NORTH WHITE SCHOOL CORPORATION

Dr. Teresa L. Gremaux- Superintendent  
Mr. W. Dean Cook -Dir of Trans/Bdgs/Grnds  
Mrs. Shellie Ruemler-Treasurer

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402 E Broadway St - Monon, Indiana 47959 - (219) 253-6618 - Fax (219) 253-6488

## CORRECTIVE ACTION PLAN

### FINDING -2017-001-CHILD NUTRITION CLUSTER-ELIGIBILITY AND SPECIAL TESTS AND PROVISIONS- VERIFICATION OF FREE AND REDUCED PRICE APPLICATION

Contact Person Responsible for Corrective Action: Anita Messer  
Title of Contact Person: Food Service Director  
Phone Number: 219/253-6618  
Expected Completion Date: May 29, 2018

Approximately 49% of the actual Free and Reduced Lunch applications were inadvertently destroyed therefor making it impossible to present for audit. The Food Service Director will keep all Free and Reduced lunch applications in a secure location that only she has access to. The Food Service Director will make sure that all verifications of the free and reduced lunch application are completed and kept in a secure location.

*Shellie Ruemler*

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SIGNATURE

*Tranana*

\_\_\_\_\_  
TITLE

*5-29-18*

\_\_\_\_\_  
DATE



# NORTH WHITE SCHOOL CORPORATION

Dr. Teresa L. Gremaux- Superintendent  
Mr. W. Dean Cook -Dir of Trans/Bdgs/Grnds  
Mrs. Shellie Ruemler-Treasurer

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## CORRECTIVE ACTION PLAN

### FINDING – 2017-002- CHILD NUTRITION CLUSTER- PROCUREMENT AND SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Anita Messer  
Title of Contact Person: Food Service Director  
Phone Number: 219/253-6618  
Expected Completion Date: May 29, 2018

The Food Service Director will ensure that all vendors provide proof of status with Suspension and Debarment. She will do this by checking vendors through using SAM exclusions, and she will obtain a certification from her vendors. Because of the late timing of the previous audit the Food Service Director was unable to get this completed in this audit period but has started doing this with the 2017-2018 school year.

*Shellie Ruemler*

\_\_\_\_\_  
Signature

*Treasurer*

\_\_\_\_\_  
Title

*5-29-18*

\_\_\_\_\_  
Date



# NORTH WHITE SCHOOL CORPORATION

Dr. Teresa L. Gremaux- Superintendent  
Mr. W. Dean Cook -Dir of Trans/Bdgs/Grnds  
Mrs. Shellie Ruemler-Treasurer

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## CORRECTIVE ACTION PLAN

### FINDING - 2017-003- CHILD NUTRITION CLUSTER - REPORTING

Contact Person Responsible for Corrective Action: Anita Messer  
Title of Contact Person: Food Service Director  
Phone Number: 219/253-6618  
Expected Completion Date: May 29, 2018

The Food Service Director will ensure that the Corporation Treasurer will be given a copy of the Annual Financial Report and the Corporation Treasurer will verify it for accuracy. The Food Service Director and the Corporation Treasurer will both sign and review the monthly claim for reimbursement. The Food Service Director will give a cafeteria manager a copy of the Verification Summary report to verify for accuracy.

Because of the late timing of the previous audit the Food Service Director was unable to make these changes in this audit period but has started doing this with the 2017-2018 school year.

*Shellie Ruemler*

\_\_\_\_\_  
Signature

*Treasurer*

\_\_\_\_\_  
Title

*5-29-18*

\_\_\_\_\_  
Date

NORTH WHITE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2018, with Shannon Mattix, Board member; Dr. Teresa Gremaux, Superintendent of Schools; Shellie Ruemler, Treasurer; Anita Messer, Food Service Director; Emma Cowell, Incoming Treasurer; and Aleta Clark, Incoming Food Service Director.