

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

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



FILED
07/19/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tracy Albertson	07-01-15 to 06-30-18
Superintendent of Schools	Gregg Hoover	07-01-15 to 06-30-19
President of the School Board	Gabe Widmer Patrick Thurston	01-01-15 to 12-31-17 01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE BENTON COMMUNITY SCHOOL
CORPORATION, BENTON COUNTY, INDIANA

This report is supplemental to our audit report of the Benton Community 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 and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

June 6, 2018

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

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

Although School Corporation officials indicated that a review of the SEFA was performed by the Superintendent of Schools, the review performed was not effective and did not detect a material error on the SEFA presented for audit.

Context

The lack of effective internal controls was a systemic issue throughout the audit period. The Title I Grants to Local Educational Agencies federal expenditures were understated by \$131,210 for the 2016-2017 school year.

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. . . .

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the error identified in the *Context*.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate reporting of 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 2017-002

Subject: Child Nutrition Cluster - Eligibility
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: Eligibility
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that eligibility determinations for free and reduced price meals were accurate. One employee processed the applications for free and reduced price meals, which included determining eligibility, without a proper system of oversight or review.

Context

The lack of 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:

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Eligibility 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 related to the grant agreement and the Eligibility 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 - Cash Management
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: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

BENTON COMMUNITY 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 Cash Management compliance requirement. The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balances (net cash resources) did not exceed three months average expenditures.

The School Corporation did not comply with the cash management requirements that cash balances (net cash resources) be limited to three months average expenditures. The School Lunch fund monthly net cash resources exceeded three months average expenditures during the audit period.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. The cash balance in the School Lunch fund (net cash resources) exceeded 3 months average expenditures in 23 of the 24 months in 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 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; . . ."

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed or implemented adequate policies and procedures to ensure compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain 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 and comply with 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 2017-004

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. The prior audit finding number was 2015-006.

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.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with procurement procedures or with applicable state and local requirements.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Bids for food products, material, and supplies were awarded by a third party administrator but were not approved by the School Board.

The School Corporation did not have a control system in place to ensure compliance over non-contracted procurements. The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal 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 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). . . ."

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . ."

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

The School Corporation's 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 an effective internal control system enabled material noncompliance to remain 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 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 2017-005

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

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.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. All receipts, including those credited to students' prepaid accounts, were recorded in the School Lunch fund and reported as program income. A separate prepaid food fund had not been established. The School Corporation was not able to separately identify prepaid account receipts from program income for meals charged to prepaid accounts.

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 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 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

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. . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . ."

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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."

Cause

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Program Income compliance requirement.

Effect

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

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 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 2017-006

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

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-051-PN01, 14215-051-PN01,
14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

BENTON COMMUNITY 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 Allowable Costs/Cost Principles compliance requirement. The School Corporation was a participating member school corporation of a Special Education Cooperative (Cooperative), which had different fiscal agents for the two years of the audit period. Rensselaer Central School Corporation was the fiscal agent of the Cooperative for the 2016-2017 school year.

For the 2016-2017 school year, one member school corporation of the Cooperative paid all payroll related costs for all members of the Cooperative and was subsequently reimbursed by the fiscal agent. There were no controls in place to ensure the accuracy of the payroll expenditures reported by the member school corporations. In addition, a review of the vendor claims prior to payment by the fiscal agent was not documented consistently.

The fiscal agent of the Cooperative also paid member school corporations for payroll costs related to speech therapists employed at each school. Personnel activity reports or equivalents were not maintained for the 2016-2017 school year's portion of the speech therapists' salaries and related costs charged to the special education programs. The fiscal agent paid each member school corporation based on their grant budgets for speech therapists, not properly documented time attributable to the grants. The School Corporation paid \$28,818 for speech therapists during the 2016-2017 school year without proper supporting documentation

Context

This was a systemic issue during the second year of the audit period. Member school corporations were paid for speech therapists based on the grant's budget during the 2016-2017 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 200.430(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;

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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

The School Corporation had not established a proper or effective internal control structure that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

Known questioned costs of \$28,818 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with 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 2017-007

Subject: Special Education Cluster (IDEA) - Level of Effort

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-051-PN01, 14215-051-PN01,

14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

One individual prepared the maintenance of effort report without a proper system of oversight or review.

Context

The lack of controls was a systemic issue throughout the audit period.

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). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-008

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

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-051-PN01, 14215-051-PN01,
14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

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 Period of Performance compliance requirement. The School Corporation was a participating member school corporation of a Special Education Cooperative (Cooperative), which had different fiscal agents for the two years of the audit period.

The School Corporation failed to comply with the Period of Performance compliance requirement that all obligations for expenditures made from program funds were incurred within the period of performance. The obligation and/or payment of claims did not occur within the period of availability for transactions charged and recorded to the grant prior to the period of performance.

The fiscal agent for the Cooperative changed on July 1, 2016. The Indiana Department of Education awarded the remaining grant funds from the 2015-2016 school year to the member school corporations through the Cooperative on July 11, 2016. Per the award letter, expenses accrued beginning on July 11, 2016, were eligible for reimbursement. There were underlying obligations for disbursements totaling \$160,755 which occurred prior to the period of performance. The School Corporation's share of the disbursements paid prior to the period of performance was \$26,095.

Context

The lack of controls and the School Corporation's failure to comply with the Period of Performance compliance requirement was an isolated issue, which occurred during the transition of the Cooperative's fiscal agent from one member school corporation to another member school corporation at the beginning of the 2016-2017 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). . . ."

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

2 CFR 200.77 states:

"*Period of performance* means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$26,095 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Period of Performance 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 2017-009

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-051-PN01, 14215-051-PN01,
14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-007.

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 was a participating member school corporation of a Special Education Cooperative (Cooperative). Rensselaer Central School Corporation was the fiscal agent of the Cooperative for the 2016-2017 school year. The School Corporation relied on the Cooperative to comply with the Procurement and Suspension and Debarment compliance requirement of the Special Education Cluster (IDEA) programs. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirement.

Procurement

The School Corporation had not established effective controls to ensure that their procurement policies were followed.

The School Corporation failed to comply with the procurement requirement that small purchases and sealed bids must be in compliance with their procurement procedures, as well as State laws and procedures. Small purchase procedures which require that at least three price or rate quotations be obtained from qualified sources were not followed. There were no quotes or bids obtained for any purchases during the audit period.

Suspension and Debarment

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance 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 noncompliance regarding suspension and debarment were systemic issues throughout the audit period. The noncompliance related to procurement was applicable during the 2016-2017 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. . . ."

BENTON 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). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

Rensselaer Central School Corporation Policy 6325 - PROCUREMENT - FEDERAL GRANTS/FUNDS states:

"Small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property the cost of which exceeds \$3,500 but is less than the competitive bid threshold of \$100,000. Small purchase procedures require that at least three (3) price or rate quotations shall be obtained from qualified sources."

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 compliance with the Procurement and Suspension and Debarment compliance requirement.

BENTON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

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.



CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson
Contact Phone Number: 765-884-0850

Description of Corrective Action Plan:

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: Continue Current Procedures



(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Eligibility

Description of Corrective Action Plan:

The exit interview for Finding 2015-003 was on July 27, 2017, which is after the June 30, 2017 current audit period date. After the exit interview the CAP for Finding 2015-003 was implemented. Currently the Food Service Director and/or school secretaries process the applications for free and reduced meals and the Café Manager at Benton Central High School pulls 20% of free and reduced applications to check for accuracy. They verify that the applications are completed accurately and the eligibility determination was correct.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: Was Implemented with the School Year 2017-18



(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Cash Management

Description of Corrective Action Plan:

The exit interview for Finding 2015-004 was on July 27, 2017, which is after the June 30, 2017 current audit period date. After the exit interview the CAP for Finding 2015-004 was implemented. We currently monitor the three month average expenditures and have submitted and been approved for exemption for the Paid Lunch Equity requirement for 2018-19 school year.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: Was Implemented with the School Year 2017-18



(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Suspension and Debarment

Description of Corrective Action Plan:

The exit interview for Finding 2015-006 was on July 27, 2017, which is after the June 30, 2017 current audit period date. After the exit interview the CAP for Finding 2015-006 was implemented. We currently send the certification form with all bid packets for Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion. The SAM Exclusion website is viewed as needed and a printout retained for documentation.

Anticipated Completion Date: Was Implemented with the School Year 2017-18

Procurement

Description of Corrective Action Plan:

We are a current member of HPS a third party administrator who handles the bidding processes for goods and services for the cafeteria. When we receive the annual award letters for bids from HPS we will have those letters approved by the school board.

We will attempt to receive three quotes from vendors who we anticipate purchasing goods and services exceeding \$3,500. It should be noted that we are a rural school corporation and many vendors do not deliver fresh produce and goods in our area it is difficult to receive multiple quotes from vendors offering these services.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Tracy Alkerton

(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson & Lynda Stepp
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Program Income

Description of Corrective Action Plan:

The exit interview for audit ending June 30, 2015 was on July 27, 2017, which is after the June 30, 2017 current audit period date. This finding was also included with finding 2015-003, the CAP for finding 2015-003 was implemented in August 2017. We have set up a prepaid lunch account and transfer the money from the Prepaid Account into the School Lunch Fund on a monthly basis as it is used.

The School Corporation is a small governmental unit and management has determined that the cost of employing additional staff necessary to properly segregate duties would outweigh the benefits of a stronger internal control system. Management acknowledges and assumes the risks inherent with the current design of the corporation's internal control processes.

Anticipated Completion Date: Was Implemented August 2017


(Signature)

Director of Finance
(Title)

June 6, 2018
(Date)



Benton Community School Corporation

"United, Student-Centered School Corporation"

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CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson and Patti Kem
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Allowable Costs/Cost Principles

Description of Corrective Action Plan:

Cooperative School Services and Benton Community School Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding payroll costs related to Speech/Language Pathologist in the member school corporations.

Anticipated Completion Date: July 1, 2018



(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-007

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson and Patti Kem
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Level of Effort

Description of Corrective Action Plan:

Cooperative School Services and Benton Community School Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding the preparation of Maintenance of Effort requirements.

Anticipated Completion Date: September 1, 2018 (for the FY19 grant applications)



(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-008

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson and Patti Kem
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Period of Performance

Description of Corrective Action Plan:

Cooperative School Services and Benton Community School Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding Period of Performance.

Anticipated Completion Date: July 1, 2018



(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-009

Contact Person Responsible for Corrective Action: Gregg Hoover, Tracy Albertson and Patti Kem
Contact Phone Number: 765-884-0850

Views of Responsible Official:

Procurement and Suspension and Debarment

Description of Corrective Action Plan:

Cooperative School Services and Benton Community School Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding Procurement and Suspension and Debarment

Anticipated Completion Date: July 1, 2018



(Signature)

Director of Finance

(Title)

June 6, 2018

(Date)

BENTON COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2016 and 2017:

Fund	Amount Overdrawn as of June 30	
	2016	2017
Gifts/Donations	\$ 7,888	\$ 38,313
After School Program	334	-
Computer Repair Pass-Through	4,233	-
Payroll	-	8,619

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Schools, Chapter 1)

BENTON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 6, 2018, with Tracy Albertson, Treasurer; Gregg Hoover, Superintendent of Schools; Patrick Thurston, President of the School Board; and Robert Songeroth, School Board member.