

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
09/17/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lynn Hall	07-01-14 to 06-30-19
Superintendent of Schools	Bobby Fields	07-01-14 to 06-30-19
President of the School Board	Brian Gill	01-01-14 to 12-31-14
	Joseph Kelich	01-01-15 to 12-31-15
	Tami Davis	01-01-16 to 12-31-16
	Brian Gill	01-01-17 to 12-31-17
	Tami Davis	01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE FRANKTON-LAPEL COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the Frankton-Lapel Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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 Results and Comments 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 Results and Comments contained herein describe the identified reportable instances 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 Results and Comments, incorporated within this report, were not verified for accuracy.

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

August 14, 2018

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

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

Condition

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$657,580 and \$847,324 for the periods ending June 30, 2015 and 2016, respectively. Included in the Child Nutrition Cluster understatement was the omission of the School Breakfast Program, National School Lunch Program, and National School Lunch Program Commodities.
2. Title I Grants to Local Educational Agencies expenditures were understated by \$53,888 and \$49,450 for the periods ending June 30, 2015 and 2016, respectively.
3. The Special Education Cluster (IDEA) expenditures were understated by \$671,310 and \$571,053 for the periods ending June 30, 2015 and 2016, respectively. Included in the Special Education Cluster (IDEA) understatement was the omission of the Special Education Grants to States and Special Education Preschool Grants.
4. Rural Education expenditures were understated by \$19,167 for the period ending June 30, 2016.
5. Supporting Effective Instruction State Grants expenditures were understated by \$3,913 and \$46,177 for the period ending June 30, 2015 and, 2016, respectively.
6. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation 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 2016-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of adequate segregation of duties as the School Corporation had not separated incompatible activities related to cash and investments and receipts.

1. Cash and Investments: Monthly reconcilements were adequately detailed and summarized but were prepared by one individual without a proper system of oversight or review.
2. Receipts: One individual prepares the deposit slip for all receipts and compares the total on the deposit slip to the corresponding receipt edit. There was no evidence of a proper oversight, review, or approval process.
3. Adjusting Entries: Adjusting entries lacked supporting documentation and were created by one individual without a proper system of oversight or review.

Context

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting related to cash and investments and receipts.

Views of Responsible Officials

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

Subject: Child Nutrition Cluster - Program Income, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP), Special
Tests and Provisions - School Food Accounts

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): FY2014-15, FY2015-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Program Income, Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP), Special Tests
and Provisions - School Food Accounts

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). 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 Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

Program Income

The School Corporation had not established an effective internal control over verifying the proper determination and recording of program income. The School Corporation did not provide evidence of a review of the daily cafeteria sales reports for all of its schools to ensure that all program income was properly determined and recorded in the School Corporation's ledger.

The School Corporation had not established an effective internal control over verifying the transfers from the Prepaid Lunch fund 8400 to the School Lunch fund account number 800 were accurate.

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

The School Corporation prepared and submitted the School Food Authority (SFA) Verification Collection Report without evidence of a proper system of oversight or review.

Special Tests and Provisions - School Food Accounts

There was inadequate documentation that verification of posting of school lunch receipts was made to the proper fund and account.

Context

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 would have ensured compliance with the Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts compliance requirements.

Views of Responsible Officials

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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): FY2014-15, FY2015-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effective controls were not in place to ensure that only applicable employees were paid from program funds. The School Corporation paid \$166,186 of administrative, treasurer, and maintenance salaries/wages that were allocated to the programs based on fixed percentages. There was no supporting documentation to indicate how the amounts were determined.

Context

The lack of controls and the noncompliance were a systemic issue, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

OMB Circular A-87, Attachment B, section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

The \$166,186 of the administrative, treasurer, and maintenance salaries/wages allocated to the School Lunch fund was considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements will be maintained and available for audit.

Views of Responsible Officials

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-005

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): FY2014-15, FY2015-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
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 Eligibility compliance requirement.

The School Corporation was unable to provide evidence that they complied with the eligibility requirements regarding the notification to households eligibility criteria. They were not able to provide evidence that parents/guardians were notified of their children's eligibility for benefits.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.20(b)(2) states:

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 3016.42 states in part:

"(a) *Applicability.*

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

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to the program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Eligibility compliance requirement was made available for audit.

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Eligibility compliance requirement will be maintained and available for audit.

Views of Responsible Officials

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-006

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): FY2014-15, FY2015-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balance (net cash resources) did not exceed three months average expenditures.

The School Corporation did not comply with the Cash Management requirement that its net cash resources be limited to three months average expenditures.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

7 CFR 220.7(e) states in part:

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

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

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2016-007

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): FY2014-15, FY2015-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

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

The monthly Sponsor Claim (claims for reimbursement) had errors in the amounts claimed for reimbursement.

The meal counts for free and reduced meals at Lapel High School had been transposed during data entry into the Indiana Department of Education (IDOE) website for the April 2015 Sponsor Claim (claims for reimbursement). The School Corporation's records showed that the number of free lunches equaled 548 and reduced lunches equaled 162; however, the number of free lunches reported to the IDOE equaled 162 and reduced lunches reported equaled 548.

The May 2016 Sponsor Claim (claims for reimbursement) contained an error on Line 9 "Avg Daily Attendance" for column B "Lunch." The number should have been 3,066; however, 2,766 was reported.

The School Corporation prepared and submitted the monthly Sponsor Claims (claims for reimbursement), the Annual Financial Report, and the School Food Authority (SFA) Verification Collection Report without evidence of a proper system of oversight or review.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

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

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 documentation."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-008

Subject: Child Nutrition Cluster - Equipment
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): FY2014-15, FY2015-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2014-006.

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 Equipment compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that it maintain records of equipment purchased in whole or in part with federal funds and that it perform a physical inventory of equipment.

The School Corporation did not comply with the equipment requirements. A list of equipment acquired with federal awards was not maintained, nor was physical inventory of equipment acquired with federal awards performed during the audit period.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

7 CFR 3016.32(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Equipment compliance requirement.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Equipment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Equipment 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 2016-009

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): FY2014-15, FY2015-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not have a procurement policy that complied with 2 CFR 200.320. Procurement requirements related to maintaining the history of procurements or the use of a sole source vendor were not performed for the 2015-2016 fiscal year.

Suspension and Debarment

The School Corporation did not have internal controls, policies, or procedures in place to ensure that vendors that were not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 200.318 states in part:

"(a) 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. . . .

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

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FEDERAL FINDINGS
(Continued)

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity;
or
- (4) After solicitation of a number of sources, competition is determined inadequate."

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 the ELPS; 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 an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-010

Subject: Title I Grants to Local Educational Agencies - Internal Controls
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-5245, 15-5245, 16-5245
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals
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 Eligibility, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

Eligibility - Individuals

The School Corporation had not designed or implemented proper internal controls to ensure that all students eligible for Title I services were included. There was not a documented control to indicate that the list of students eligible for Title I services was reviewed by the Title I Director.

Special Test and Provisions - Comparability

One person prepared and submitted the comparability report without an oversight, review, or approval process to ensure that the report was accurate.

Special Test and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation had no effective control in place to ensure that teachers and paraprofessionals hired within the School Corporation met the highly qualified requirements.

Context

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

Criteria

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

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

FRANKTON-LAPEL 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). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Eligibility, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Eligibility, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals 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 2016-011

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): 14-5245, 15-5245, 16-5245

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card,
High School Graduation Rate

Audit Findings: Material Weakness, Other Matters

FRANKTON-LAPEL 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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that reasons for mobility reporting were supported by appropriate documentation. Of the 18 students tested, 10 had the required documentation to support reasons for mobility reporting.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 200.19(b) states in part:

"*High schools*—

(1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

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(Continued)

- (A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.
- (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.
 - (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

(2) *Transitional graduation rate.*

- (i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—
 - (A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .
- (ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—
 - (A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;
 - (B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and
 - (C) A dropout may not be counted as a transfer. . . ."

Cause

Management had not developed a system of internal controls that would have ensured 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 in non-compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Questioned Costs

There were no questioned costs identified.

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FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2016-012

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Cash Management, Reporting
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-5245, 15-5245, 16-5245
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,
Cash Management, Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2014-002 and 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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Reporting compliance requirements.

The School Corporation submitted reimbursement forms with amounts that were not supported by the unit's records. Based on discussions with the School Corporation Treasurer, once expenses for a specific category exceeded the budgeted amount, the unit allocated expenses to another budget category. Additionally, transactions totaling \$12,739 were requested for reimbursement on August 14, 2014, and again on February 1, 2015, resulting in a duplicate reimbursement.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

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FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

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FEDERAL FINDINGS
(Continued)

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

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

34 CFR 74.22 states in part:

"(e) Reimbursement is the preferred method when the requirements in paragraph (b) of this section cannot be met. . . .

- (1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper. . . .

(f). . . Thereafter, the Secretary reimburses the recipient for its actual cash disbursements. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;

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(Continued)

- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Reporting compliance requirements.

Questioned Costs

The duplicate reimbursement requested amount of \$12,739 was considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Reporting 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 2016-013

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14-5245, 15-5245, 16-5245

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

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 Special Tests and Provisions - Assessment System Security compliance requirement.

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FEDERAL FINDINGS
(Continued)

The School Corporation was required to properly implement policies and procedures regarding the security of tests. The School Corporation did not maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individual who administered, handled, or had access to secure test materials at the district or school level.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

Cause

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement was made available for audit.

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement will be maintained.

Views of Responsible Officials

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

FINDING 2016-014

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Cash Management

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): 14213-025-PN01, 14214-025-PN01,
14215-025-PN01, 14216-023-PN01,
99914-145-TA01, 45714-025-PN01,
45715-025-PN01, 45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Cash Management

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Cash Management. The prior audit finding number was 2014-007.

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

The member School Corporation Treasurer prepared reimbursement forms and submitted them to the Cooperative. However, there was no evidence of a review by anyone prior to submission to the Cooperative.

The School Corporation did not comply with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management requirement regarding:

1. Reimbursement forms reviewed included anticipated expenditures in the amount of \$1,692. This amount was also requested on two separate reimbursement reports; December 28, 2015, and June 15, 2016.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2. Transactions totaling \$150 were requested for reimbursement on November 11, 2015, and again on June 5, 2016, resulting in a duplicate reimbursement.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

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

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

34 CFR 74.22 states in part:

". . . (e) Reimbursement is the preferred method when the requirements in paragraph (b) of this section cannot be met. . . .

- (1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper. . . .

(f). . . Thereafter, the Secretary reimburses the recipient for its actual cash disbursements.
. . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;
- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the requirements of the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

Questioned Costs

The \$1,842 of duplicate reimbursements was considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

Views of Responsible Officials

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-015

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance 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): 14213-025-PN01, 14214-025-PN01,
14215-025-PN01, 14216-023-PN01,
99914-145-TA01, 45714-025-PN01,
45715-025-PN01, 45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 Matching, Level of Effort, Earmarking compliance requirement.

Documentation supporting the 2013-2014 state and local expenditures calculation, which would be compared to 2014-2015 state and local expenditures in the fiscal year 2016 application to determine if Maintenance of Effort (MOE) was met, was not provided for audit. Additionally, 2014-2015 and 2015-2016 state and local expenditures calculations were not calculated in accordance with instructions provided by IDOE. State and local expenditures reported included amounts from sources other than state and local funds spent on special education and related services.

The Treasurer prepared the Level of Effort - Maintenance of Effort calculation for the fiscal year 2016 application and fiscal year 2017 application. An oversight or review process related to the calculation had not been established.

The School Corporation could not provide documentation for audit of the Level of Effort - Maintenance of Effort calculations for the fiscal year 2015 application.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Level of Effort - Maintenance of Effort compliance requirement.

Criteria

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

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

FRANKTON-LAPEL 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). . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

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. . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

34 CFR 299.5(a) states:

"General. An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year."

Cause

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Matching, Level of Effort, Earmarking compliance requirement was made available for audit.

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement will be maintained and available for audit.

Views of Responsible Officials

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

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-016

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-025-PN01, 14214-025-PN01,
14215-025-PN01, 14216-023-PN01,
99914-145-TA01, 45714-025-PN01,
45715-025-PN01, 45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

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 Reporting compliance requirement.

There was no approval process involving another person at the School Corporation to ensure the Requests for Reimbursement and Data Collection Reports were accurate for 2014-2015 or 2015-2016.

The School Corporation did not comply with the reporting requirements regarding:

1. The School Corporation requested reimbursement for the same expenditure on two different Reimbursement Reports. The amount of the duplicate request was \$1,842.
2. Data Collection Reports for 2014-2015 and 2015-2016: Supporting documentation, such as a student listing, did not agree with the figures submitted to Indiana Department of Education.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Criteria

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

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

FRANKTON-LAPEL 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). . . ."

34 CFR 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Secretary. . . ."

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. . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Reporting compliance requirement was made available for audit.

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

The \$1,842 of duplicate reimbursements was considered questioned costs.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Reporting compliance requirement will be maintained and available for audit.

Views of Responsible Officials

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

FINDING 2016-017

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): 14213-025-PN01, 14215-025-PN01,
14214-025-PN01, 14216-023-PN01,
45714-025-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During 2015-2016, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the compliance requirements related to Allowable Costs/ Cost Principles.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

For grants 14213-025-PN01, 14214-025-PN01, 14215-025-PN01, 45714-025-PN01, and 45715-025-PN01, the requirement was that for employees who were expected to work solely on a single Federal award, charges for their salaries and wages be supported by periodic certifications and that the certifications be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee. During the period, the fiscal agent of the Cooperative was responsible for maintaining Semi-Annual Certifications for the Cooperative employees whose salaries were charged solely to a specific grant. The Semi-Annual Certifications listing the employees were maintained; however, they were not certified by the employee or an appropriate supervisor. For employees who were expected to work on multiple cost objectives, a distribution of their salaries and wages was to be supported by a personnel activity report or equivalent documentation that met the standards described below; however, there were no personnel activity reports or equivalent documentation maintained.

Context

Of the three Semi-Annual Certifications required to be maintained during the period for all employees whose salaries were charged entirely to one federal fund, none were certified by an appropriate supervisor. There were also six employees whose salaries were charged to more than one fund, but no Personnel Activity Reports or equivalent documentation was maintained for those employees. This was determined to be a systemic issue.

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). . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB A-87 Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation had not designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system placed the Cooperative, and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and could have 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 Cooperative's management establish controls, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

FINDING 2016-018

Subject: Special Education Cluster (IDEA) - Cash Management

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): 14213-025-PN01, 14215-025-PN01,
14214-025-PN01, 14216-023-PN01,
45714-025-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Modified Opinion

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation was a member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During 2015-2016, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the compliance requirements related to Cash Management.

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

The fiscal agent utilized a report from its accounting software, which included expenses actually paid and expenses that were entered into the accounting software, but not yet paid. These expenses were summarized in an Excel spreadsheet that was used to prepare the Requests for Reimbursement. The Requests for Reimbursement were reviewed by the Cooperative Director; however, requesting reimbursement for claims incurred but not paid was not identified as a potential issue.

Context

Each of the five Requests for Reimbursements tested contained expenditures that were incurred but not yet paid. This was determined to be a systemic issue.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.21(d) states in part: "*Reimbursement*. Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.305(b)(3) states in part: "Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, . . ."

Cause

Management of the School Corporation had not designed or implemented proper internal control procedures to ensure compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the Cooperative, and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and could have 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 Cooperative's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

FINDING 2016-019

Subject: Special Education Grants to States - Equipment and Real Property Management

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-025-PN01, 14215-025-PN01,
14214-025-PN01, 14216-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Significant Deficiency, Other Matters

Condition

The School Corporation was a member school of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative had taken on the responsibility of tracking equipment acquisitions and disposals of equipment that was purchased with federal funds of the member school corporations of the Cooperative.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Equipment and Real Property Management compliance requirement. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

A secretary of the Cooperative maintained an equipment inventory listing, but the listing did not contain all the required information.

Context

The equipment inventory listing did not contain the acquisition cost, disposal date, and the sale price of the property, if sold for any of the equipment listed. This was determined to be a systemic issue.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.32 states in part:

". . . (b) *States.* A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . ."

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not designed and implemented internal control procedures to ensure compliance with the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the Cooperative, and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and could have 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 Cooperative's management establish controls, including segregation of duties, related to the grant agreement and Equipment and Real Property Management compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

FINDING 2016-020

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-025-PN01, 14215-025-PN01,
14214-025-PN01, 14216-023-PN01,
45714-025-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the special education programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative and the Cooperative itself was responsible for submitting the proper reports on behalf of the School Corporation and following the compliance requirements related to Reporting.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. In addition, there was no oversight of the Cooperative by the School Corporation. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

The fiscal agent utilized a report from its accounting software, which included expenses actually paid and expenses that were entered into the accounting software, but not yet paid. These expenses were summarized in an Excel spreadsheet that was used to prepare the Requests for Reimbursement and the Quarterly Monitoring Report for Proportionate Shares. The Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares required expenses paid to be reported. The Requests for Reimbursement and the Quarterly Monitoring Reports for Proportionate Shares were reviewed by the Cooperative Director; however, reporting amounts incurred but not paid was not identified as a potential issue.

The Cooperative Director prepared the Final Report utilizing the final Excel spreadsheet maintained by the fiscal agent and submitted the report without any review, approval, or other control to ensure its accuracy.

Context

Because of the method used to accumulate the information for reporting, this was determined to be a systemic issue.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

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

Cause

The School Corporation had not designed or implemented internal control procedures to ensure compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the Cooperative, and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with the compliance requirement and could have 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 Cooperative's management establish controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement. We also recommended that the School Corporation monitor and have proper oversight of the Cooperative.

Views of Responsible Officials

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

FRANKTON-LAPEL COMMUNITY SCHOOLS

"A Place For All Learners"

7916 West 300 North
Anderson, IN 46011-9129
(765) 734-1261 - FAX (765) 734-1129

CORRECTIVE ACTION PLAN

FINDING 2016-001 - Preparation of the Schedule of Expenditures of Federal Awards

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

After the Corporation Treasurer submits the SEFA in the Gateway System, the Superintendent will check the information submitted.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-002 - Financial Transactions and Reporting

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will present monthly reconcilements pertaining to cash and investments, receipts, and adjusting entries to the Superintendent for review.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-003 - Child Nutrition Cluster - Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The School Treasurers will verify and sign all cafeteria deposits before they are sent to the Corporation Treasurer to receipt.

The Corporation Treasurer will present the Receipt Posting Report for cafeteria deposits, including any adjustments, to the Food Service Director for review.

The Corporation Treasurer will work with the Food Service Director to verify transfers between prepaid lunch fund 8400 and the school lunch fund 800.

The Food Service Director will review the School Food Authority (SFA) Verification Collection Report with the Superintendent.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-004 - Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Superintendent and Assistant Superintendent will develop a formula to determine what percentage of the salaries of administrators, treasurers, and maintenance workers will be paid from food service.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-005 - Child Nutrition Cluster - Eligibility

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Food Service Director and a Cafeteria Manager from one of the schools will review the free/reduced lunch applications and make sure the applications comply with the eligibility criteria including notification of parents/guardians of their children's eligibility.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-006 - Child Nutrition Cluster - Cash Management

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Food Service Director and Superintendent will monitor the monthly cash balance for the school lunch fund. The Food Service Director will work with the State to monitor excess funds in the school lunch account.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-007 - Child Nutrition Cluster - Reporting

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Food Service Director will work with the Superintendent to assure that all IDOE reports are completed correctly.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-008 - Child Nutrition Cluster - Equipment

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Food Service Director will work with the Accounts Payable Clerk, who is in charge of reporting and collecting the inventory for the school corporation, to make sure all equipment purchased with school lunch funds is put on the school lunch inventory.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-009 - Child Nutrition Cluster - Procurement and Suspension and Debarment

Contract Person Responsible for Corrective Action: Ruth Iser, Food Service Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Food Service Director attended a procurement workshop held in July 2018. The State is in the process of developing a procurement policy. The Food Service Director and Superintendent will make sure the new policy is put into place and the guidelines are followed.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-010 - Title I Grants to Local Educational Agencies - Eligibility, Special Tests and Provisions - Comparability, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

Contract Person Responsible for Corrective Action: Kimm Gray, Title I Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Title I Director will work with the Principals to ensure all students eligible for Title I services are included in the program.

The Title I Director will work with the Principals to prepare and submit the Comparability Report.

The Title I Director will work with the Principals to ensure that teachers/paraprofessionals hired met the highly qualified requirements.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-011 - Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Contract Person Responsible for Corrective Action: Kimm Gray, Title I Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Title I Director will work with the Principals to design and implement policies and procedures to ensure required documentation supports the reasons for mobility reporting.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-012 - Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Reporting

Contract Person Responsible for Corrective Action: Lynn Hall, Treasurer
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will work with the Title I Director to make sure the Title I reimbursements are submitted correctly and on time.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-013 - Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security

Contract Person Responsible for Corrective Action: Kimm Gray, Title I Director
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Title I Director will work with the Principals to ensure the security of tests for Title I students.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-014 - Special Education Cluster (IDEA) - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will work with the Special Education Director to make sure the special education reimbursements are submitted correctly and on time.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-015 - Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will work with the Special Education Director to make sure the Maintenance of Effort calculation is completed in accordance IDOE instructions.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-016 - Special Education Cluster (IDEA) - Reporting

Contract Person Responsible for Corrective Action: Lynn Hall, Corporation Treasurer
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will work with the Special Education Director to make sure the special education reimbursements are submitted correctly and on time.

The Special Education Director will work with the Principals to compile the list of students eligible for the IDOE Data Collection Reports.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-017 - Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Contract Person Responsible for Corrective Action: Steve Wornhoff, Director,
Hamilton-Boone-Madison Special Services Cooperative
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer and Special Education Director will work with the Director of the Special Services Cooperative to ensure all certifications and reports are maintained for personnel.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-018 - Special Education Cluster (IDEA) - Cash Management

Contract Person Responsible for Corrective Action: Steve Wornhoff, Director,
Hamilton-Boone-Madison Special Services Cooperative
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer and Special Education Director will work with the Director of the Special Services Cooperative to make sure all cooperative special education reimbursements are submitted correctly and on time.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-019 - Special Education Grants to States - Equipment and Real Property Management

Contract Person Responsible for Corrective Action: Steve Wornhoff, Director,
Hamilton-Boone-Madison Special Services Cooperative
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer and Special Education Director will work with the Director of the Special Services Cooperative to make sure all equipment acquisitions and disposals of equipment are tracked appropriately.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.

FINDING 2016-020 - Special Education Cluster (IDEA) - Reporting

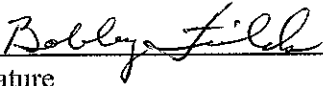
Contract Person Responsible for Corrective Action: Steve Wornhoff, Director,
Hamilton-Boone-Madison Special Services Cooperative
Contact Phone Number: 765-734-1261

View of Responsible Officials: Frankton-Lapel Community Schools agrees with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer and Special Education Director will work with the Director of the Special Services Cooperative to make sure all requests for reimbursement and quarterly monitoring reports for proportionate shares are submitted accurately.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately.



Signature

Superintendent
Title

August 14, 2018
Date

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B46648, titled *ACCOUNTING FOR PREPAID FOOD RECEIPTS*.

Prepaid food receipts were accounted for in Fund 8400 Prepaid Food, beginning during the second year of our audit period. However, when a student with prepaid money purchased a meal, a negative receipt, instead of a disbursement, was recorded to the Prepaid Food fund, representing a transfer out of that fund to be receipted into Fund 800 School Lunch. During 2015-2016, it was determined that receipts and disbursements of the Prepaid Food fund were understated by \$671,671.

Adjustments were proposed, approved by management, and made to the financial statement presented for audit.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

The School Corporation paid penalties, interest, and other charges to a credit card company in the amount of \$149 in April 2016, because the School Corporation did not remit payments on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B46648.

The financial statements 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, 2015 and June 30, 2016:

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Fund	Amount Overdrawn June 30, 2015	Amount Overdrawn June 30, 2016
General	\$ 544,358	\$ -
Capital Projects	277,568	390,481
School Transportation	265,517	359,118
LES PTG Technology	12,565	-
FES PTG Technology	9,638	-
Alex's Project	2,520	-
Kindergarten Camp Grant	-	104
Child Care	55	10,230
All Day Kindergarten	-	5,930
Construction, Remodeling, and Equipping Buildings	-	37,842
Reimbursement	-	5,125
FES Library	6	-

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 Indiana Public School Corporations, Chapter 1)

BANK ACCOUNT RECONCILIATIONS

The School Corporation did not have an effective internal control in place over preparation of the monthly bank account reconciliations. Bank account reconciliations were prepared by one individual without a proper system of oversight or review.

Depository reconciliations of the fund balance to the bank account balances were conducted; however, the School Corporation's bank account reconciliations did not balance to the School Corporation's records. The School Corporation's depository reconciliations and records included discrepancies as follows:

- (1) The June 30, 2015 bank account reconciliation was short \$122.05. The June 30, 2016 bank account reconciliation was long \$192.00.
- (2) A miscellaneous disbursement was posted to the Payroll Clearing Fund for \$6.51 on October 31, 2014, to adjust the record balance to the bank balance due to an unidentified cash short on the October 31, 2014 bank reconciliation.
- (3) A miscellaneous disbursement was posted to the General fund for \$2,713.47 on January 30, 2015, to adjust the record balance to the bank balance due to an unidentified cash short.
- (4) A miscellaneous disbursement was posted to the General fund for \$10,223.06 on May 31, 2016, to adjust the record balance to the bank balance due to an unidentified cash short.
- (5) A miscellaneous negative disbursement was posted to the Payroll Clearing fund for \$192.00 on July 20, 2016, to adjust the record balance to the bank balance for the cash long at June 30, 2016.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (6) A miscellaneous disbursement was posted to the General fund for \$35.00 on August 31, 2015, for an insufficient funds charge on August 10, 2015.
- (7) A manual check #5874 was written for payroll for \$407.51 and was on the June 30, 2016 outstanding checklist. The check did not subsequently clear the bank statement, but was removed from the outstanding checklist. On March 4, 2016, manual check #6060 was written to replace check #5874, but was not posted in the ledger or payroll system.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

FUND SOURCES AND USES - SELF INSURANCE FUND

Basic Grant state distribution revenues of \$2,400,000 during 2014-2015, and \$800,000 during 2015-2016, were receipted directly into the Self Insurance Fund instead of being receipted into the General Fund and subsequently transferred to the Self Insurance Fund. Therefore, these transactions did not go through the disbursement approval process or review by the School Board.

Adjustments were proposed, approved by management, and made to the financial statement presented for audit.

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Subject to the approval of the commissioner of the department of insurance, the governing body of the school corporation may support the Self-Insurance fund by transfer. Any balance remaining in the Self-Insurance Fund at the end of any fiscal year shall carry over in the Fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 4)

ANNUAL FINANCIAL REPORT - NEGATIVE RECEIPTS AND DISBURSEMENTS

During 2014-2015, transfers from one fund to another fund totaling \$869,746 were recorded as negative receipts or negative disbursements instead of being properly recorded with a positive receipt and corresponding positive disbursement. Therefore, receipts and disbursements were understated on the financial statement.

Transactions were recorded as "negative" receipts as follows:

- (1) A transfer of \$41,237 from the Summer School fund to the General fund was posted as a negative receipt to the Summer School fund; therefore, this transaction did not go through the disbursement approval process and was not presented for School Board review as an appropriation item.

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

- (2) A transfer of \$590,278 from Full Day Kindergarten Grant, All Day Kindergarten, and Age 4 Pre-school funds to the General fund was posted as a negative receipt to the Full Day Kindergarten Grant, All Day Kindergarten, and Age 4 Pre-school funds; therefore, this transaction did not go through the disbursement approval process and was not presented for School Board review as an appropriation item.

Transactions were recorded as "negative" disbursements as follows:

- (1) A transfer of \$141,217 from the General fund to School Transportation and School Bus Replacement funds was posted as a negative disbursement to the School Transportation and School Bus Replacement funds. Therefore this transaction did not go through the disbursement approval process and was not presented for School Board review as an appropriation item.
- (2) A transfer of \$65,882 from the General fund to the Building Corporation fund was posted as a negative disbursement to the Building Corporation fund. Therefore this transaction did not go through the disbursement approval process and was not presented for School Board review as an appropriation item.
- (3) A transfer of \$31,131 from the School Technology and Technology E-Rates funds to the Capital Projects fund was posted as a negative disbursement to the Capital Projects fund. Therefore this transaction did not go through the disbursement approval process and was not presented for School Board review as an appropriation item.

Adjustments were proposed, approved by management, and made to the financial statement presented for audit.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

ERRORS ON CLAIMS

Fiscal officer and School Board approval of claims paid during July 1, 2014 through December 31, 2014, was not presented for audit. Claim Dockets were provided, but were not signed.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the funds. The following issues were noted during the audit:

Some of the deficiencies include:

- 1. Randomly sampled and tested Receipt #44123 was posted to the ledger as Receipt #44122.
- 2. Several voided receipts and adjustments were recorded in the ledger. Following are two examples:
 - a. Receipt #49033 was posted and voided on March 8, 2016, resulting in a net (\$100) as follows:

Fund	Receipt #49033 Posted Amount
Textbook Rental	\$ (134)
Child Care	(25)
Age 4 Pre-school	(475)
Prepaid Lunch	554
Prepaid Lunch	(554)
Prepaid Lunch	534
 Total	 \$ (100)

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 AUDIT RESULTS AND COMMENTS
 (Continued)

- b. Receipt #47798 was posted and voided on November 30, 2015, resulting in a net (\$165) as follows:

Fund	Receipt #47798 Posted Amount
Child Care	\$ (165)
Prepaid Lunch	861
Prepaid Lunch	(861)
Total	\$ (165)

These were systematic issues observed throughout the audit.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

FRANKTON-LAPEL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2018, with Lynn Hall, Treasurer; Bobby Fields, Superintendent of Schools; Tami Davis, President of the School Board; Katrice Mills, Payroll Clerk; and Sterling Boles, Assistant Superintendent of Schools.