

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WES-DEL COMMUNITY SCHOOL CORPORATION
DELAWARE COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
11/07/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Fowler	07-01-14 to 06-30-19
Superintendent of Schools	Michael Bush Kyle Mealy	07-01-14 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	Steve Dowling Todd Trehearne Julie Herron Dick Johnson Steve Dowling	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WES-DEL COMMUNITY SCHOOL
CORPORATION, DELAWARE COUNTY, INDIANA

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

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

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

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

September 26, 2018

WES-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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: During fiscal year 2015-2016, monthly reconcilements were completed by the Treasurer; however, the computer-generated reconciliation was not printed and retained for audit. The supporting documentation, such as the outstanding check list, was printed monthly and retained. We were able to verify the bank reconciliations with the information provided. Additionally, there was no documentation of the review of the bank reconcilements by the Superintendent of Schools, as was the stated control. This control was in place and the documents were retained for the fiscal year 2014-2015 only.
2. Receipts: During the audit, it was determined that the School Corporation had established key controls over receipts; however, there was no verifiable evidence of the oversight, review, or approval process.

Context

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

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.

WES-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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, in regards 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.

FINDING 2016-002

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 School Corporation did create an approval process involving the Superintendent of School's review of the SEFA to ensure that it was accurate. However, the approval process was not verifiable, nor did it detect the errors in the SEFA. The Treasurer prepared the federal award information entered into Gateway without an effective 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 \$30,384 and \$53,413 for the periods ending June 30, 2015 and 2016, respectively. Included in the Child Nutrition Cluster understatement was the omission of the National School Lunch Program Commodities.
2. The Special Education Cluster (IDEA) expenditures were overstated by \$622 and understated by \$8,966 for the periods ending June 30, 2015 and 2016, respectively.
3. The Title I Grants to Local Educational Agencies expenditures were overstated by \$5,930 and understated by \$651 for the periods ending June 30, 2015 and 2016, respectively.

WES-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

4. The Supporting Effective Instruction State Grants expenditures were overstated by \$2,707 and understated by \$2,707 for the periods ending June 30, 2015 and 2016, respectively.
5. 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.

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.

WES-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, 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, including segregation of duties, 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 2016-003

Subject: Child Nutrition Cluster - Eligibility, Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

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, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

WES-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Eligibility

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

Reporting

Annual Financial Reports and School Food Authority (SFA) Verification Collection Reports were completed by one individual without any oversight or review.

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 Reports without evidence of a proper system of oversight or review.

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. . . ."

2 CFR 200.303 state in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal controls 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 Controls 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, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

WES-DEL 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 compliance with the grant agreement and the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

Finding 2016-001
Fiscal Year 2015-16

Contact Person Responsible for Corrective Action: Sharon Fowler
Contact Phone Number: 765-358-4006

1. A summary of monthly bank reconcilements will be provided to the Superintendent for approval.

Completion date will be month end for September, 2018.

2. The monthly revenue report presented to the Board of School Trustees will now require board signatures.

Completion date will be October 11, 2018.

Sharon Fowler

Signature

Corp. Treasurer

Title

9/26/18

Date



CORRECTIVE ACTION PLAN

Finding 2016-002
Fiscal Year 2015-16

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Correction Action: Sharon Fowler

Contact Phone Number: 765-358-4006

1. Due to prior audit direction, expenditures and revenue were switched on the SEFA report. This finding has been corrected with the 2017-18 SEFA.
2. Care is being taken to report the correct grant awards information on SEFA reporting.
3. Care is being taken to report the correct grant awards information on SEFA reporting.
4. Care is being taken to report the correct grant awards information of SEFA reporting.
5. Grants which occur in the same fiscal year will not be combined on the SEFA report.

Completion date will begin with the 2018-19 SEFA reporting.

Sharon Fowler
Signature

Corp. Treasurer
Title

9/26/18
Date



CORRECTIVE ACTION PLAN

Finding 2016-003

Fiscal Year 2014-15, 2015-16

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Correction Action: Penny Hirons

Contact Phone Number: 765-358-4091

Annual Financial Report

Prior to September 1 Food Service Director will complete Annual Financial Report in the CNPweb from documents provided by the Central Office. Once the Annual Financial Report is accepted in the CNPweb system two copies will be printed and signed by Food Service Director. One will be submitted to Corporation Treasurer for review and signature. Corporation Treasurer will retain copy in file.

Free/Reduced Meal Applications

Free and Reduced Meal applications may be submitted by paper or online. Once a parent submits an application it is processed within 3 days by Food Service Director. High School Manager will review applications to ensure accuracy by initials/date on back of application.

Verification Procedures

On an annual basis a sample of meal application will be verified after October 1st. Verification process will be completed by November 15th and the report will be sent to the State by February 1st. The District will verify 3% of all approved applications using the error prone applications. The Food Service Department will utilize the Café software to generate the sample. Once the sample has been selected, "We Must Verify Your Application" letter, is sent to each household. This process is verified and initialed by HS Foodservice Manager.

Penny J. Hirons
Signature

Food Service Director
Title

9-25-18
Date

WES-DEL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2018, with Sharon Fowler, Treasurer; Kyle Mealy, Superintendent of Schools; and Steve Dowling, President of the School Board.