

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

LIBERTY-PERRY COMMUNITY
SCHOOL CORPORATION
DELAWARE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED

11/30/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-----------------|----------------------|
| Treasurer | Julie D. Wake | 01-01-14 to 12-31-18 |
| Superintendent of Schools | Bryan Rausch | 07-01-14 to 06-30-19 |
| President of the School Board | Keith Davis | 01-01-14 to 12-31-18 |



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TO: THE OFFICIALS OF THE LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Liberty-Perry 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

October 16, 2018

LIBERTY-PERRY 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 contained the following errors:

1. Expenditures were overstated by \$223,409 due to non-federal grants being included.
2. Information such as grantor agency, program title, pass-through entity, Catalog of Federal Domestic Assistance (CFDA) number, and pass-through identifying number were omitted or reported incorrectly for some grant awards.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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. . . ."

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.
- (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.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-002.

Condition

The School Corporation had not separated incompatible activities related to receipts and payroll disbursements. The same individual was responsible for receiving cash, issuing receipts, posting receipts to the ledgers, and depositing receipts. The Payroll Clerk input the payroll information into the ledger without a system of oversight, review, or approval.

Context

The lack adequate segregation of duties 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 of the School Corporation had not established a proper system of internal control.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls could have enabled 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.

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: Special Education Cluster (IDEA) - Level of Effort

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): 14214-066-PN01, 14215-066-PN01,
14216-066-PN01, 99910-066-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 level of effort requirements.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the amounts reported on the Special Education Cluster (IDEA) application were accurate. The School Corporation reported amounts for fiscal years 2015 and 2016 for State and Local Expenditures that did not agree to the School Corporation's ledgers or other supporting documentation and calculations.

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. . . ."

LIBERTY-PERRY 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 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 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

(b) The financial management system of each non-Federal entity must provide for the following (see also §§ 200.333 Retention requirements for records, 200.334 Requests for transfer of records, 200.335 Methods for collection, transmission and storage of information, 200.336 Access to records, and 200.337 Restrictions on public access to records): . . ."

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
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. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. . . ."

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 compliance with the level of effort requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the level of effort 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 level of effort requirements.

Views of Responsible Officials

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

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

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): 14214-066-PN01, 14215-066-PN01,
14216-066-PN01, 99910-066-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

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 Allowable Costs/Cost Principles requirements.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the required Semi-Annual Certifications or other documentation of personnel expenses were reviewed and approved by the employee's supervisor and retained for audit. No Semi-Annual Certifications or other documentation of personnel expenses were presented for 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 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). . . ."

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, section 8(h)(3) states:

"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."

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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-005

Subject: Special Education Cluster (IDEA) - Internal Controls

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): 14214-066-PN01, 14215-066-PN01,
14216-066-PN01, 99910-066-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Cash Management,
Period of Performance, Reporting

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 following compliance requirements: Activities Allowed or Unallowed, Cash Management, Period of Performance, and Reporting.

Activities Allowed or Unallowed

The School Corporation had not designed or implemented adequate policies and procedures to ensure that expenditures to the program were only for allowable activities. Payroll transactions were processed and entered into the ledger by the Payroll Clerk without a system of oversight, review, or approval.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that expenditures were in compliance with the Cash Management compliance requirement. Reimbursement requests were prepared and submitted by the Treasurer with no review or oversight.

Period of Performance

The School Corporation had not designed or implemented adequate policies and procedures to ensure that funds were expended in the proper period. Payroll transactions were processed and entered into the system by the Payroll Clerk without a system of oversight, review, or approval.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties regarding reporting. Reimbursement requests were prepared and submitted by the Treasurer without a system of oversight, review, or approval.

Context

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

LIBERTY-PERRY 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 Activities Allowed or Unallowed, Cash Management, Period of Performance, and Reporting 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 following compliance requirements: Activities Allowed or Unallowed, Cash Management, Period of Performance, and Reporting.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Activities Allowed or Unallowed, Cash Management, Period of Performance, 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.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-006

Subject: Child Nutrition Cluster - Internal Controls
Federal Agency: Department of Agriculture
Federal Program: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, and 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: Activities Allowed or Unallowed, Cash Management, Reporting,
Special Tests and Provisions - School Food Accounts,
Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior year 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 following compliance requirements: Activities Allowed or Unallowed, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

Activities Allowed or Unallowed

The School Corporation had not designed or implemented adequate policies and procedures to ensure that expenditures to the program were only for allowable activities. Payroll transactions were processed and entered into the ledger by the Payroll Clerk without a system of oversight, review, or approval.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that net cash resources did not exceed a three months average of expenditures. The School Corporation did not perform calculations to verify that the net cash resources did not exceed three months average expenditures.

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties with regard to the Reporting compliance requirement. The reimbursement claims and verification summary reports were prepared and submitted by the Food Service Director without a system of oversight, review, or approval. The annual financial reports were prepared and submitted by the School Corporation Cashier without a system of oversight, review, or approval.

Special Tests and Provisions - School Food Accounts:

The School Corporation had not designed or implemented adequate policies and procedures to verify that requested reimbursements had been received and recorded promptly.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Paid Lunch Equity (NSLP only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties with regard to the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The Paid Lunch Equity calculations were prepared by the Food Service Director without a system of oversight, review, or approval before recommendation of paid lunch prices to the School Board.

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 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 Activities Allowed or Unallowed, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity 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 Activities Allowed or Unallowed, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Questioned Costs

There were no questioned costs identified.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed, Cash Management, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity 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 2016-007

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
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, and 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 Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure expenditures were allowable. Payroll transactions were processed and entered into the ledger by the Payroll Clerk without a system of oversight, review, or approval. The School Corporation did not document reporting of time and effort for the food service employees.

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. . . ."

LIBERTY-PERRY 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). . . ."

OMB Circular A-87, Attachment B, section 8(h)(3) states:

"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."

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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

There were no questioned costs identified.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Child Nutrition Cluster - Eligibility

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, and 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 Requirement: Eligibility

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior year 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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with Eligibility requirements. The free and reduced-price lunch benefits eligibility determination was processed and entered into the computer system by the Food Service Director without a system of oversight, review, or approval. Due to the lack of controls, the School Corporation provided free and reduced-price lunch benefits to ineligible students and failed to properly notify some households of benefits eligibility.

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. . . ."

LIBERTY-PERRY 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). . . ."

7 CFR 245.3 states in part:

"(a) Each State agency, or FNSRO where applicable, shall by July 1 of each year announce family-size income standards to be used by local educational agencies, as defined in § 245.2, under the jurisdiction of such State agency, or FNSRO where applicable, in making eligibility determinations for free or reduced price meals and for free milk. Such family size income standards for free and reduced price meals and for free milk shall be in accordance with Income Eligibility Guidelines published by the Department by notice in the FEDERAL REGISTER.

(b) Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. . . ."

7 CFR 245.6(c) states in part:

"Determination of eligibility—(1) Duration of eligibility. Except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or if feasible, through direct certification, at any time during the school year. . . ."

7 CFR 245.6(c)(6) states in part: *"Notice of Approval—(i) Income applications.* The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application from the household. . . ."

Cause

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

Questioned Costs

There were no questioned costs identified.

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

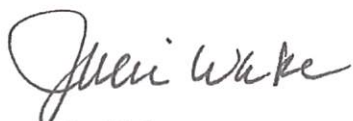
For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Corrective Action Plan

Finding 2016-001

Julie Wake
765-282-5615

I will in the future make sure that I have included all the federal grants when entering the information into Gateway for SEFA. I will also make sure that I have all the other information included (grantor agency, program title, pass through entity, CFDA numbers, pass through identifying numbers). I will make notes and keep copies of any transfers or adjustments made to the grants.



Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018

Corrective Action Plan

Finding 2016-002

Julie Wake
765-282-5615

In the future we will have the payroll vouchers approved by the board at our monthly board meetings. I will also have the principals and the Cafeteria Director approve the time cards of their employees. I will also have someone approve the payroll of employees paid out of the grants.



Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-003

Julie Wake
765-282-5615

When determining the amounts used for the payroll for the Special Ed grants I will try to use percentages of the salaries when I can. I will try to be more consistent on how I determine the amounts.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018

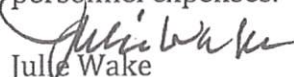


Corrective Action Plan

Finding 2016-004

Julie Wake
765-282-5615

Mrs. Everhart will be doing the required Semi-Annual Certification and review of personnel expenses.

A handwritten signature in black ink, appearing to read 'Julie Wake', is written over the printed name.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-005

Julie Wake
765-282-5615

In the future Mr. Rausch will be reviewing and approving the request I make for reimbursement for the Special Ed grants. Mrs. Everhart or myself will also check to insure the correct employees are being paid from the grant.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-006

Julie Wake
765-282-5615

The Cafeteria Director will be reviewing the timecards of employees paid out of the cafeteria fund. She will also verify that we are not carrying more than a 3 month average of expenditures in our cafeteria fund by documenting that we have checked it at the end of each year. She will work with me to ensure that the reimbursements are being asked for and received correctly. She will also make sure that the correct information is presented to the board so that they can make a decision as to adjusting lunch prices for the corporation. At this time the secretary at the high school is assisting with the free and reduced verifications. She will check to make sure the correct figures for the income of the households are used on the applications and that all the information used is correct.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-007

Julie Wake
765-282-5615

At this time we are no longer paying any claims without detailed receipts for the items purchased. Also I am not paying for any items purchased without correct documents to pay from. If she does want to purchase items from an auction she must first have permission from Mr. Rausch.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018



LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION

Corrective Action Plan

Finding 2016-008

Julie Wake
765-282-5615

The cafeteria director is now stamping the date the family was notified of the approval or denial of the application for free or reduced meals.

Julie Wake
Treasurer
Liberty Perry Community Schools

October 11, 2018

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The Capital Projects fund was overdrawn in the amount of \$41,644 at June 30, 2016. The Prepaid Food fund was overdrawn in the amount of \$3,281 and \$11,521, respectively, for June 30, 2015, and June 30, 2016.

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

RECONCILEMENT OF THE PREPAID FOOD FUND

The same comment also appeared in the prior Report B45387.

The School Corporation maintains a Prepaid Food fund. The subsidiary records, which maintain a balance by student, were not routinely reconciled to the cash balance of the Prepaid Food fund at the end of each month. As a result, numerous posting errors remained undetected, causing the total balance of student lunch accounts to be \$16,021.58 more than the Prepaid Food fund at June 30, 2016.

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)

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)

LIBERTY-PERRY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 16, 2018, with Julie D. Wake, Treasurer; Bryan Rausch, Superintendent of Schools; and Keith Davis, President of School Board.