

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

NORTH HARRISON COMMUNITY  
SCHOOL CORPORATION  
HARRISON COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
12/07/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jo Ann Burson	07-01-15 to 06-30-19
Superintendent of Schools	D. John Thomas Dr. Lance Richards (acting) Dr. Lance Richards	07-01-15 to 05-11-17 05-12-17 to 07-11-17 07-12-17 to 06-30-19
President of the School Board	Veronica J. Battista	01-01-15 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH HARRISON COMMUNITY  
SCHOOL CORPORATION, HARRISON COUNTY, INDIANA

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

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

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

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

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

October 29, 2018

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Child Nutrition Cluster - 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): FY 2015/2016, FY 2016/2017  
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 report. The prior audit finding number was 2015-003.

*Condition*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. No controls were in place to ensure compliance with time and effort requirements; as a result, proper time records were not maintained.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. In most instances, employees worked on only one cost objective; however, there was one employee who had no documentation to support the amount of time spent on the breakfast and lunch programs in relationship to the costs charged.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.430(i) states in part:

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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. . . ."

*Cause*

The School Corporation did not have a system in place that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish effective internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance 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 2017-002**

Subject: Child Nutrition Cluster - Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015/2016, FY 2016/2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2015-005.

*Condition*

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the suspension and debarment requirements. The School Corporation did not have procedures in place to determine if vendors had been suspended or debarred from participating in federal programs.

The School Corporation did not perform any procedures to verify that vendors from which bread and dairy products were purchased had not been suspended or debarred.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*Cause*

Management was not aware of the program requirements regarding the suspension and debarment requirements.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish effective internal controls enabled material noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to 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.

**FINDING 2017-003**

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015/2016, FY 2016/2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2015-006.

*Condition*

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Annual Financial Reports (AFRs) were accurate prior to submission. One individual prepared and submitted the reports without any oversight, review, or approval process prior to submission.

The AFRs filed by the School Corporation for the school years 2015-2016 and 2016-2017 did not agree with the School Corporation's financial records. The detail of the School Lunch fund Revenue Report and Budget Expenditure Report did not agree with the detail reported in the AFRs; however, total revenues and expenditures did agree with the School Corporation's records. Beginning and ending balances reported in the AFRs did not agree with the beginning and ending balances in the School Lunch funds.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b)(2) states in part: "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*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the reporting requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-004***

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): 99914-028-TA01, 14214-028-PN01,  
14215-028-PN01, 14216-026-PN01,  
14217-026-PN01, 45716-026-PN01,  
45717-026-PN01

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 report. The prior audit finding number was 2015-011.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Proper controls were not in place to ensure that costs associated with salaries and benefits were properly charged and allocated to the grant programs. Salaries and benefits were approved in summary totals only. Details of salary and benefit transactions were not reviewed to verify that employees' costs were for employees that had performed work for the grant programs and were in agreement with the amounts reported on supporting time records.

Proper controls were not in place to ensure that all employees completed documentation of personnel expenses. Semi-Annual Certifications, Personnel Activity Reports, or other documentation of personnel expenses were not completed for some employees that were paid from special education funds. In addition, no controls were in place to verify the accuracy of the any documentation completed to the employee time cards.

Proper controls were not in place to ensure that detailed documentation supporting all adjustment/transfer transactions were reviewed and approved prior to the recording of the transactions. Adjustments/transfers were approved in summary totals only. In addition, controls were not in place to ensure that any adjustments/transfer transactions for benefits related to salaries were required.

Proper controls were also not in place to ensure that adequate supporting documentation was maintained for all grant disbursements. Questioned costs of \$4,121 were identified for shipping and payroll adjustments that did not have proper supporting documentation to determine if costs had been properly allocated. When the errors were projected to the population, additional likely questioned costs of \$23,036 were identified.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period. No detailed payroll distributions records or detailed supporting documentation for adjustment/transfer transactions were presented to the School Board for review prior to payments of salaries and wages or recording of adjustments/transfers from grant funds.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

There were five instances identified in which proper personnel documentation was not maintained for employees paid from grant funds during the 2015-2016 school year. Four of the five instances involved substitute teachers. For the 2016-2017 school year, nine instances, all involving substitute teachers, were identified in which proper documentation was not maintained.

*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:

- 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 limitation or exclusions set forth in these principles or in the Federal award as to Types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

OMB Circular 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 or their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the audit period covered by the certification. Their 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 that standards in subsection (5) unless a statistical sampling system . . . or substitute system has been approved by the cognizant Federal agency. . . ."

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. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Effect*

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

*Questioned Costs*

Known questioned costs of \$4,121 were identified as detailed in the *Condition*.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.

**FINDING 2017-005**

Subject: Special Education Cluster (IDEA) - Internal Controls

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): 99914-028-TA01, 14214-028-PN01,  
14215-028-PN01, 14216-026-PN01,  
14217-026-PN01, 45716-026-PN01,  
45717-026-PN01

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior report regarding period of performance. The prior audit finding number was 2015-013.

*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, and Period of Performance.

*Activities Allowed or Unallowed*

There were no controls in place to ensure that expenditures charged to the grant programs were for allowable activities. Summary total amounts recorded to the grants with the ledger reference description, payroll transactions, FICA, or insurance were not reviewed to ensure that the underlying detailed transactions actually related to the ledger posting description and were allowable activities. Detailed information supporting adjustment transactions was not reviewed to verify that the underlying transactions were for allowable activities.

*Cash Management*

There were no controls in place to ensure that cash reimbursements requests were reviewed by someone other than the preparer and to verify that the amounts requested were in agreement with the underlying financial records for costs that had been paid prior to making the request.

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Period of Performance*

There were no controls in place to ensure that the underlying obligation for salary and benefit expenditures charged to the grant programs were within the period of performance. Detailed information supporting adjustment transactions was not reviewed to verify that the underlying transactions were within the period of performance.

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

*Effect*

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

*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 compliance requirements listed above.

NORTH HARRISON 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 2017-006**

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.173, 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 99914-028-TA01, 14214-028-PN01,  
14215-028-PN01, 14216-026-PN01,  
14217-026-PN01, 45716-026-PN01,  
45717-026-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior report. The prior audit finding number was 2015-012.

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. There were no controls in place to verify that backup documentation per the financial ledger attached to the Final Financial Expenditure Reports (Reports) was in agreement with amounts reported on the Reports submitted.

Some Reports submitted did not agree with the underlying accounting financial ledger reports for the grant funds. Expenditures were recorded to the financial records in excess of the grant award budget amounts. As a result of overspending the grant award budget amounts, the grant funds had deficit balances. Management resolved the deficits in the grant funds by transferring monies from local sources.

*Context*

Four of the six Reports submitted during the audit period did not match the School Corporation's expenditure reports that were attached as supporting documentation. The following differences existed between the amounts reported on the Reports and the total expenditures for the fund per the ledger:

Final Financial Expenditure Report					
Fund Number	Grant Award Number	Report Filed	Expenditures per Final Expenditure Report	Expenditures per Funds Ledger	Difference
5202	14214-028-PN01	11-30-15	\$ 1,355,436	\$ 1,381,603	\$ (26,167)
5403	45715-028-PN01	11-30-15	35,879	39,068	(3,189)
5203	14215-028-PN01	12-15-16	1,355,867	1,450,903	(95,036)
5409	45716-026-PN01	05-06-17	35,965	47,423	(11,458)

NORTH HARRISON 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). . . ."

34 CFR 80.20(b)(1) states: "*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 CFR 200.302(b)(2) states in part: "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*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the reporting requirements.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected. The failure to comply with the reporting requirements could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

North Harrison Community School Corporation  
1260 Highway 64 NW  
Ramsey, IN 47166

CORRECTIVE ACTION PLAN

**FINDING 2017-001**

Contact Person Responsible for Corrective Action: Kathy Chinn  
Contact Phone Number: 812-347-3905

Views of Responsible Official:

I concur with this finding. However, this is a repeat from 2013/2014 and 2014/2015 audit. This finding was corrected as soon as we were notified of it in the previous audit.

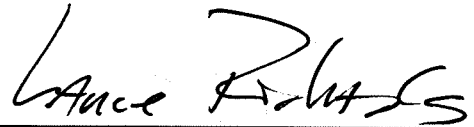
Description of Corrective Action Plan:

Cafeteria Managers will prepare certifications semi-annually for employees that work on a single Federal award or cost objective. The Food Service Contact will prepare certifications semi-annually for employees that work on a single Federal award or cost objective.

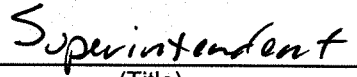
Employees that work on a Federal award and a non-Federal award will maintain a time and effort log and will submit it every two weeks along with the time card.

Anticipated Completion Date:

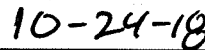
July 1, 2017



(Signature)



(Title)



(Date)

North Harrison Community School Corporation  
1260 Highway 64 NW  
Ramsey, IN 47166

CORRECTIVE ACTION PLAN

**FINDING 2017-002**

Contact Person Responsible for Corrective Action: Kathy Chinn  
Contact Phone Number: 812-347-3905

Views of Responsible Official:

I concur with this finding. However, this is a repeat from 2013/2014 and 2014/2015 audit. This finding was corrected as soon as we were notified of it in the previous audit.

Description of Corrective Action Plan:

Management has joined in with the Wilson Education Center for bread and dairy procurement. They are in compliance with the requirements for Suspension and Debarment. Copies of the bid are on file which include the signed Suspension and Debarment certificates.

Anticipated Completion Date:

July 1, 2017

Lance A. Roberts  
(Signature)

Superintendent  
(Title)

10-24-13  
(Date)

North Harrison Community School Corporation  
1070 Highway 64 NW  
Ramsey, IN 47166

CORRECTIVE ACTION PLAN

**FINDING 2017-003**

Contact Person Responsible for Corrective Action: Kathy Chinn  
Contact Phone Number: 812-347-3905

Views of Responsible Official:

I concur with this finding. However, this is a repeat from 2013/2014 and 2014/2015 audit. This finding was corrected as soon as we were notified of it in the previous audit.

Description of Corrective Action Plan:

Management will send a copy of the Annual Financial Report to the Corporation Treasurer for review to ensure accuracy and compliance before submitting the report to the Office of School and Community Nutrition. Prepaid receipts and prepay used have been removed from the Operating Fund and have been put in their own fund labeled Prepay for each of the four lunch funds. This should make all aspects of the AFR balance.

Anticipated Completion Date:

July 1, 2017

Lance Roberts  
(Signature)

Superintendent  
(Title)

10-24-18  
(Date)

North Harrison Community School Corporation  
Office of the Superintendent  
1260 Hwy 64 NW  
Ramsey, IN 47166

Voice: 812-347-2407  
Fax: 812-347-2870

CORRECTIVE ACTION PLAN

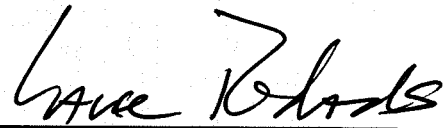
**FINDING 2017-004**

Contact Person Responsible for Corrective Action: Dr. Lance Richards  
Contact Phone Number: 812-347-2407

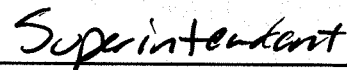
Views of Responsible Official: NHCS does not serve as the LEA for this grant. The grant is administered as part of the Harrison County Exceptional Learners Cooperative (HELC). South Harrison administers the grant for the school districts county. South Harrison has concurred with the finding and so has NHCS. Note: Corrective action plan was put in place after the March 2018 audit of fiscal years 2013-2014 and 2014-2015.

Description of Corrective Action Plan: As of April 2018, South Harrison Board of School Trustees receive full payroll distribution reports. These reports include individual names along with budgetary expenditure detail. Documented approval of distribution from Federal funds with individual payroll will be sought from the Director of the HELC with copies maintained in the grant file. Personal Activity Reports and Semi-Annual Certifications for time and effort reporting will be completed and properly approved. NHCS will monitor the SBOA audits that confirm that HELC has followed the corrective action plan.

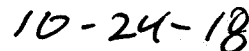
Anticipated Completion Date: April 2018



(Signature)



(Title)



(Date)

North Harrison Community School Corporation  
Office of the Superintendent  
1260 Hwy 64 NW  
Ramsey, IN 47166

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Fax: 812-347-2870

CORRECTIVE ACTION PLAN

**FINDING 2017-005**

Contact Person Responsible for Corrective Action: Dr. Lance Richards  
Contact Phone Number: 812-347-2407

Views of Responsible Official: NHCS does not serve as the LEA for this grant. The grant is administered as part of the Harrison County Exceptional Learners Cooperative (HELC). South Harrison administers the grant for the school districts county. South Harrison has concurred with the finding and so has NHCS. Note: Corrective action plan was put in place after the March 2018 audit of fiscal 2013-2014 and 2014-2015.

Description of Corrective Action Plan: North Harrison Community School Corporation designated South Harrison Community School Corporation as the fiscal agent to receive and manage the funding of the special education programs. South Harrison Board of School Trustees will determine if transfers are necessary, appropriate descriptions will be used so that transactions can clearly be identified to verify period of availability.

A Summary of Claims & Vouchers report will be provided to South Harrison Community School Board along with payroll distribution report, expenditure reports and any other supporting documentation deemed necessary to verify transactions to be allowable activities and to verify that those transactions were paid prior to making the requests for reimbursement."

Anticipated Completion Date: April 2018

Lance Richards  
(Signature)

Superintendent  
(Title)

10-24-18  
(Date)

North Harrison Community School Corporation  
Office of the Superintendent  
1260 Hwy 64 NW  
Ramsey, IN 47166

Voice: 812-347-2407  
Fax: 812-347-2870

CORRECTIVE ACTION PLAN

**FINDING 2017-006**

Contact Person Responsible for Corrective Action: Dr. Lance Richards  
Contact Phone Number: 812-347-2407

Views of Responsible Official: NHCS does not serve as the LEA for this grant. The grant is administered as part of the Harrison County Exceptional Learners Cooperative (HELCO). South Harrison administers the grant for the school districts county. South Harrison has concurred with the finding and so has NHCS. Note: Corrective action plan was put in place after the March 2018 audit of fiscal 2013-2014 and 2014-2015.

Description of Corrective Action Plan: North Harrison Community School Corporation designated South Harrison Community School Corporation as the fiscal agent to receive and manage the funding of the special education programs. Appropriations for the new grant period will be established with expenditures made from the budgetary line item at the beginning of the grant cycle and not upon receipt of approval of the grant (which has sometimes been as late as six months beyond the beginning of the grant period).

Documentation will be included with the file for each reimbursement request and spreadsheets have been utilized to provide detailed tracking of expenditures. Final expenditure reports will be included with the Final Expenditure Report.

Anticipated Completion Date: April 2018

Lance Richards  
(Signature)

Superintendent  
(Title)

10-24-18  
(Date)

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The Treasurer incorrectly certified on the Indiana Gateway for Government Units financial reporting system for fiscal year 2017, that School Corporation employees had not received the required internal control training. However, the School Corporation had documentation showing that the required personnel had taken the internal control training and signed the certification forms.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

NORTH HARRISON COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2018, with Dr. Lance Richards, Superintendent of Schools; Jo Ann Burson, Treasurer; Veronica J. Battista, President of the School Board; and Dr. Steve Hatton, Assistant Superintendent of Schools.