

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELKHART COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
12/20/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Douglas A. Hasler Kevin Scott	07-01-15 to 11-23-16 11-24-16 to 06-30-19
Superintendent of Schools	Robert E. Haworth Mark T. Mow (interim)	07-01-15 to 06-30-18 07-01-18 to 12-31-18
President of the School Board	Carolyn Morris Glenn Duncan Susan C. Daiber Karen S. Carter	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



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TO: THE OFFICIALS OF THE ELKHART COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Elkhart Community Schools (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 31, 2018

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2015-001 related to cash and investments from the immediately prior audit.

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

*Payroll Disbursements*

The School Corporation did not have a proper system of oversight and review to ensure that employees were paid from the correct fund or account.

*Vendor Disbursements*

The School Corporation did not have a proper system of oversight and review to ensure that all accounts payable vouchers were reviewed and approved.

*Cash and Investments*

For two of the three bank reconciliations, there was no evidence to indicate that the bank reconciliations were being reviewed.

*Context*

The lack of controls was a systemic problem 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. . . .

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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.

*Effect*

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

*Recommendation*

We recommended that the School Corporation establish a system of internal controls 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 2017-002**

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

*Repeat Finding*

This is a repeat of Finding 2015-002 from the immediately prior audit.

*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 federal expenditures reported on the SEFA contained the following material errors:

1. The Child Nutrition Cluster expenditures were overstated for the fiscal years ended June 30, 2016 and 2017, by \$434,759 and \$489,223, respectively.
2. Amounts passed through to subrecipients were overstated for the fiscal years ended June 30, 2016 and 2017, by \$123,710 and \$400,586, respectively.

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

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

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

*Effect*

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

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2017-003**

Subject: Title I Grants to Local Educational Agencies, Career and Technical Education - Basic Grants to States, Special Education Cluster (IDEA) - Internal Control

Federal Agency: Department of Agriculture, Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Career and Technical Education - Basic Grants to States, Special Education - Grants to States, Special Education - Preschool Grants

CFDA Numbers: 84.010, 84.027, 84.048, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 15-2305, 16-2305, 17-2305, 2014-15 14-4700-2305, 2015-16 16-4700-2305, 2016-17 17-4700-2305, 14215-015-PN01, 14216-013-PN01, 14217-013-PN01, 99914-015-TA01, 45714-015-PN01, 45715-015-PN01, 45716-013-PN01, 45717-013-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

Audit Finding: Material Weakness

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation did not have a proper system of oversight and review to ensure employees were paid from the correct fund or account and that the expense was charged within the period of performance.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. 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.

*Views of Responsible Officials*

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

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

**FINDING 2017-004**

Subject: Child Nutrition Cluster - Internal Controls

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: FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles,  
Cash Management, Eligibility, Procurement and Suspension and  
Debarment, Period of Performance, Reporting, Special Tests  
and Provisions - School Food Accounts

Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the requirements listed above.

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement*

The School Corporation did not have a proper system of oversight and review to ensure all accounts payable vouchers were reviewed and approved by the Food Service Director.

*Cash Management, Special Tests and Provisions - School Food Accounts*

The Bookkeeper performed the monthly bank reconciliations, which the Food Service Director reviewed and approved. During the monthly bank reconciliation process, the Bookkeeper and the Food Service Director indicated they checked the balance of the School Lunch fund to ensure that the balance did not exceed three months average expenditures. The Food Service Director's involvement in the process was not documented.

*Eligibility*

The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by applicants or school personnel. The School Corporation did not have a proper system of oversight or review documented to ensure that the federal income guidelines entered into the software program were accurate. These guidelines were entered into the Meals Plus system by the Food Service Director and the Food Service Secretary (Secretary) reviewed to ensure the guidelines were input correctly. However, there was no documentation of this review. Additionally, while the Food Service Director randomly selected applications that were entered into Meals Plus by either the Secretary or Food Service Bookkeeper to verify that the information was input correctly, there was no evidence of this review.

*Period of Performance*

The School Corporation did not have a proper system of oversight and review to ensure that expenses were only for costs incurred within the period of performance.

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Reporting - Verification Summary Report*

The Verification Summary Report was compiled by the Secretary, and reviewed and submitted by the Food Service Director. There was no evidence of the Secretary's involvement in the process.

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. 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.

ELKHART COMMUNITY SCHOOLS  
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 2017-005**

Subject: Child Nutrition Cluster - Suspension and Debarment  
Federal Agencies: 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: FY2016, FY2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2015-003 from the immediately prior audit.

*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 suspension and debarment requirements.

The Bid and Commodities Coordinator checked vendors for suspension and debarment status on the System for Award Management (SAM) website and printed off the results for retention. However, there was not a review to ensure a SAM search was completed for each vendor. SAM search results were not retained for every vendor.

*Context*

The lack of controls was a systemic issue throughout the audit period. Searches for two of the three vendors tested were not retained.

*Criteria*

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."

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

The failure to establish effective internal controls enabled material noncompliance to go undetected, which 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 suspension and debarment requirements.

*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) - 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): 14215-015-PN01, 14216-013-PN01,  
14217-013-PN01, 45714-015-PN01,  
45715-015-PN01, 45716-013-PN01,  
45717-013-PN01, 99914-015-TA01

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

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

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles*

The School Corporation did not have a proper system of oversight and review to ensure that all accounts payable vouchers were reviewed and approved by personnel knowledgeable about the grant.

*Reporting*

The Final Expenditure Reports were both completed and submitted by the Grant Director with no review from other personnel knowledgeable about the grant.

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. 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.

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*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.

*Views of Responsible Officials*

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

**FINDING 2017-007**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 15-2305, 16-2305, 17-2305  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2015-005 from the immediately prior audit.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation had not established internal controls to ensure that written documentation was retained which supported the student's removal from the high school cohort graduation rate for mobility reasons. The supporting documentation provided for 9 of the 40 students requested did not accurately support the reason as to why the student was no longer enrolled in the School Corporation.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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

34 CFR 200.19(b) states in part:

"*High schools*—

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

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

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

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

(2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;
- (B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and
- (C) A dropout may not be counted as a transfer. . . ."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-008**

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-2305, 16-2305, 17-2305, 16-2305  
School Improvement

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, Reporting, Special Tests and Provisions - Schoolwide Programs

Audit Finding: Material Weakness

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

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

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance*

The School Corporation designed a system of oversight and review to ensure that all accounts payable vouchers and adjustments were reviewed and approved by the Director of Federal Programming. However, that control had not been fully implemented or documented as the sample tested revealed several items for which there was no evidence of the review.

*Cash Management and Reporting*

The School Corporation had not established an effective internal control system to ensure that grant expenditures for supplies were paid before they were included on a reimbursement request and that the reimbursement requests were complete and accurate prior to submission. The School Corporation had supporting documentation attached to the reimbursement requests, but this documentation did not always agree to the amounts that were requested. The completeness and accuracy of the reimbursement requests could not be determined since not all expenditures included on the reimbursement requests were properly documented. However, the expenditures for supplies were not material to the grant, so we determined that the inaccuracies did not constitute material noncompliance.

*Special Tests and Provisions - Schoolwide Programs*

The principal at each school submitted a schoolwide improvement plan every year. The School Corporation did not have a proper system of oversight or review documented to ensure the accuracy of the plans.

*Context*

The lack of controls was a systemic problem 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:

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of 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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, Reporting, and Special Tests and Provisions - Schoolwide Programs 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 2017-009**

Subject: Career and Technical Education - Basic Grants to States - Internal Controls

Federal Agency: Department of Education

Federal Program: Career and Technical Education - Basic Grants to States

CFDA Number: 84.048

Federal Award Numbers and Years (or Other Identifying Numbers): 2014-15 14-4700-2305,  
2015-16 16-4700-2305,  
2016-17 17-4700-2305

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost  
Principles, Period of Performance

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2015-004 related to Period of Performance from the immediately prior audit.

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

The School Corporation had not designed or implemented adequate internal controls to ensure that vendor disbursements were for allowable activities and allowable costs and for only those expenses which were incurred within the period of performance. The lack of controls allowed stipends to be paid to employees without authorization or supporting documentation. Also, payments were approved for goods and services that were not obligated during the period of performance. However, we determined that these payments did not constitute material noncompliance.

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. 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.

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*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.

*Views of Responsible Officials*

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

**FINDING 2017-010**

Subject: Career and Technical Education - Basic Grants to States - Procurement

Federal Agency: Department of Education

Federal Program: Career and Technical Education - Basic Grants to States

CFDA Number: 84.048

Federal Award Numbers and Years (or Other Identifying Numbers): 2014-15 14-4700-2305,  
2015-16 16-4700-2305,  
2016-17 17-4700-2305

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation had not established internal controls to ensure that the purchasing method used complied with 2 CFR 200.320.

The School Corporation did not comply with the procurement requirements. The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. Quotes were not obtained for four small purchase transactions with four separate vendors tested, which totaled \$57,968.

*Context*

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

*Criteria*

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

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

ELKHART COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.319(a) states in part:

"All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. In order to ensure objective contractor performance and eliminate unfair competitive advantage, contractors that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals must be excluded from competing for such procurements. . . ."

2 CFR 200.320 states in part:

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

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

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. . . ."

*Cause*

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

*Effect*

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

ELKHART COMMUNITY SCHOOLS  
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 procurement requirements.

*Views of Responsible Officials*

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



BUSINESS OFFICE

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**ELKHART**  
COMMUNITY SCHOOLS

## CORRECTIVE ACTION PLAN

*FINDING 2017-001*

Contact Person Responsible for Corrective Action: Valerie Gillespie

Contact Phone Number: (574)262-5537

Compliance Requirements: Financial Transactions and Reporting

Internal control deficiencies resulted in authorization gaps of proper oversight processes.

We agree with this finding.

During the audit period, concise practices to prevent unauthorized approval of vendors were not in place. The same was also true for employees paid by the district as Payroll Distribution reports did not have documented proof that thorough review and approval by administration was completed. Lastly, bank reconcilements were also lacking in documented review and approval on a consistent basis.

To rectify these issues, an opportunity has been identified to review internal control practices with program administrators. Approval of the Payroll Distribution report has been incorporated into routine grant reimbursement requests which are prepared by the Supervisor of Accounting, Audits, and Investments and authorized by the respective grant administrator. Internal control policies are being enhanced to prevent unauthorized payments to vendors. Bank statement reconciliation review and authorization processes have been enhanced to ensure accuracy and meet internal control requirements. The Controller reconciles both the Corporation and Food Service accounts, and the Chief Financial Officer then reviews and approves once accuracy is confirmed. The Textbook Rental account is reconciled by the Staff Accountant. The Controller then reviews and approves once accuracy is confirmed.

In conjunction with these changes to operations, routine reviews to ensure compliance are completed by the Supervisor of Accounting, Audits, and Investments with the intent to prevent the exceptions from occurring in the future.

Anticipated Completion Date: February 2019

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date



BUSINESS OFFICE

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**ELKHART**  
COMMUNITY SCHOOLS

## CORRECTIVE ACTION PLAN

*FINDING 2017-002*

Contact Person Responsible for Corrective Action: Valerie Gillespie

Contact Phone Number: (574)262-5537

Compliance Requirements: Preparation of the Schedule of Expenditures of Federal Awards

Internal control deficiencies prevented the detection of errors as reported on the Schedule of Expenditures of Federal Awards.

We agree with this finding.

During the preparation of the Schedule of Expenditures of Federal Awards (SEFA), understanding of key terms was not complete, which resulted in erroneous reporting.

To rectify these issues moving forward, internal control procedures are being enhanced to incorporate grant administrator review and approval of information reported by the Supervisor of Accounting, Audits, and Investments for accuracy. Essentially, the Supervisor of Accounting, Audits, and Investments will prepare, respective grant administrators will review and approve, and the Chief Financial Officer will confirm valid reporting of financial data within the SEFA.

By expanding the review of data reported within the SEFA, it is the district's goal to decrease the likelihood for future non-compliance.

Anticipated Completion Date: December 2018

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date



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**ELKHART  
COMMUNITY SCHOOLS**

## CORRECTIVE ACTION PLAN

*FINDING 2017-003*

Contact Person Responsible for Corrective Action: Valerie Gillespie

Contact Phone Number: (574) 262-5537

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

The oversight of grant agreements was not adhered to, resulting in insufficient internal controls maintained by the district.

We agree with this finding.

In compliance with grant agreements and requirements, the Business Office remitted distribution reports reflecting payroll transactions for each pay cycle to respective grant administrators for review and confirmation. However, once review and verification were determined as accurate, oversight signatures were not documented. To ensure compliance moving forward, payroll distribution reports and Accounts Payable expenditure reports, which represent supporting documentation for routine reimbursement requests, will be prepared by the Supervisor of Accounting, Audits, and Investments and provided to grant administrators for review and approval.

By incorporating review and oversight into operations already in place, likelihood for future non-compliance is minimized. Documented internal controls strengthen the district's operations while mitigating opportunities for loss.

Anticipated Completion Date: December 2018

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date



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**ELKHART**  
COMMUNITY SCHOOLS

## CORRECTIVE ACTION PLAN

### *FINDING 2017-004*

Contact Person Responsible for Corrective Action: Pam Melcher

Contact Phone Number: (574)262-5523

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Eligibility, Procurement, Reporting- Verification Summary Report, Special Tests & Provisions- School Food Accounts

Proper expenditure authorization for allowed costs and activities were not comprehensive of the 2015-17 audit period. Additionally, review and authorization was not completed to ensure that payroll expenditures were accurately charged to Food Service.

We agree with this finding.

Although review and oversight of expenditures was being done, signatures reflecting review and approval were not being provided on Accounts Payable Vouchers. To correct this issue, multiple layers of oversight have been incorporated to review and approve Accounts Payable claims. At the building level, Food Service managers review and authorize by signature the Accounts Payable claims, then forward to the Food Service Department Secretary to review and confirm, by signature, accurate budgetary account code is utilized. Upon the final approval of the Food Service Director by signature, the claim is then processed by the Food Service Bookkeeper.

Review and oversight of monthly bank reconciliations was not able to be proven due to a lack of signature by the Food Service Director on the reconciling documents. To rectify, the Food Service Director now signs reconciling documents to indicate both review and approval of reconciliations.

Prior practices of eligibility determination as provided directly by the district's software vendor were not internally verified for accuracy to ensure compliance with Federal requirements before utilized. To rectify, the Food Service Secretary reviews, by signature, and the Food Service Director confirms, by signature, to ensure accuracy and compliance. This process will also apply to the review and oversight of the random application checks as required.

The Verification Summary Report was compiled by the Food Service Secretary, but only the Food Service Director was reviewing. To correct per proper internal controls, both the Food Service Secretary and Director will review and sign to indicate approval of reviewed documentation.

By integrating multiple layers of review and oversight into the approval process, the Food Service Department aims to eliminate the opportunity for loss or fraud, in conjunction with complying with internal control requirements.

Anticipated Completion Date: December 2018

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date





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**ELKHART**  
COMMUNITY SCHOOLS

### CORRECTIVE ACTION PLAN

*FINDING 2017-005*

Contact Person Responsible for Corrective Action: Pam Melcher

Contact Phone Number: (574)262-5523

Compliance Requirements: Suspension & Debarment

Verification of vendors reviewed for suspension and debarment was not completed comprehensively.

We agree with this finding.

Although the district checked vendors for suspension and debarment, not all vendors were verified with documented proof. To ensure adequate internal controls, the Food Service Secretary will complete reviews, documenting completion with signature. The Food Service Director will confirm the reviews have been accurately completed, and validate with their signature.

By enhancing internal controls, the district aims to eliminate further issues to ensure proper operations and compliance.

Anticipated Completion Date: December 2018

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date



BUSINESS OFFICE

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**ELKHART**  
COMMUNITY SCHOOLS

## CORRECTIVE ACTION PLAN

*FINDING 2017-006*

Contact Person Responsible for Corrective Action: Dawn McGrath

Contact Phone Number: (574)262-5542

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

Proper expenditure authorization for allowed costs and activities was not comprehensive of the 2015-17 audit period. Additionally, final expenditure reports were not verified for accuracy before submittal.

We agree with this finding.

Prior operational practices did not consist of clear communication pertaining to operational updates and ensuring state and federal changes were implemented. To rectify the issue, only specific personnel within the Office of Student Services will be recognized as providing appropriate authorization of Payroll and Accounts Payable claims. These personnel include the Assistant Superintendent of Student Services and the Director of Special Services. Designees as assigned will be responsible for reviewing documents for accuracy and ensuring grant compliance of expenditures before authorization.

Historically, final expenditure reports were completed and submitted by the Director of Special Education. To rectify this issue, a full expenditure report of the grant will be generated by the Supervisor of Accounting, Audits, & Investments, and submitted to the Director of Special Services. Upon review and confirmation, the Director of Special Services will incorporate the information received into the Final Expenditure Report.

By evaluating operational procedures and limiting authorized signors, we aim to safeguard district funds while ensuring the accuracy of reported data.

Anticipated Completion Date: December 31, 2018

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date



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**ELKHART**  
COMMUNITY SCHOOLS

## CORRECTIVE ACTION PLAN

*FINDING 2017-007*

Contact Person Responsible for Corrective Action: Beth Williams

Contact Phone Number: (574)262-5679

Compliance Requirements: Special Tests & Provisions- Annual Report Card/High School Graduation Rate

Written documentation was not retained to support the Special Tests & Provisions-Annual Report Card/High School Graduation Rate.

We agree with this finding.

Prior operational practices did not offer sufficient options of withdrawal categories. To rectify the issue, withdrawal categories have been added to ensure proper classification of withdrawal reporting. To ensure accuracy, the Administrator, or the Administrator's designee, will review, verify, and sign completed and accurate withdrawal forms.

This finding was also addressed during the 2013/15 audit, and has since been corrected as of July 2017. Unfortunately, the 2013/15 audit was completed on July 13, 2017, well after the Corrective Action Plans presented could be applied to the 2015/17 audit period.

Anticipated Completion Date: July 2017

Valerie Gillespie

Name of Responsible Official

Supervisor of Accounting, Audits, & Investments

Title

10/31/2018

Date



BUSINESS OFFICE

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**ELKHART**  
COMMUNITY SCHOOLS

## CORRECTIVE ACTION PLAN

*FINDING 2017-008*

Contact Person Responsible for Corrective Action: Dr. Brad Sheppard

Contact Phone Number: (574)262-5679

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, Reporting and Special Test and Provisions-Schoolwide Improvement Plan

Internal Controls were not effective to ensure proper authorization and reporting of grant operations.

We agree with this finding.

During the grant period, nominal quantities of Accounts Payable vouchers were assigned for payment without proper authorization. Additionally, adjustments made to the grant that were verbally discussed did not have proper authorization in writing. These issues have been resolved through Administrative changes within departments. Accounts Payable vouchers and adjustments are not processed without the approval of the Director of Federal Programming.

Schoolwide Improvement Plans submitted did not always reference oversight or review to ensure the goals of the plans aligned with district initiatives. Through further internal review, authorizations for Schoolwide Improvement Plans were found to be on file for the 14/15 and 18/19 school years. Moving forward, this issue has been resolved through Administrative changes within departments, as the authorization for the 18/19 school year is on file. In addition to initial review of the plans, Administration is ensuring compliance of the plan through routine follow-up at buildings to monitor and, when necessary, re-direct to attain goals as established.

Anticipated Completion Date: July 2018

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date



BUSINESS OFFICE

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**ELKHART**  
COMMUNITY SCHOOLS

### CORRECTIVE ACTION PLAN

*FINDING 2017-009*

Contact Person Responsible for Corrective Action: William Kovach

Contact Phone Number: (574)262-5557

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

Proper expenditure authorization for allowed costs and activities was not comprehensive of the 2015-17 audit period. Additionally, expenditures were incurred and paid for outside of the grant period.

We agree with this finding.

Prior operational practices did not fully adhere to grant requirements, as outlined in the award letter. To resolve the identified issues, only the Director of the Elkhart Area Career Center will represent valid authorization of Payroll and Accounts Payable claims. Upon the approval of the Director, the Payroll claim and/or Accounts Payable voucher will be forwarded to the Controller for review, and upon approval, forwarded for processing.

Through separation of duties, the district's level of internal controls is strengthened as multiple facets of review and oversight ensure that accurate transactions are processed within compliance.

Anticipated Completion Date: December 2018

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date



BUSINESS OFFICE

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**ELKHART**  
COMMUNITY SCHOOLS

## CORRECTIVE ACTION PLAN

*FINDING 2017-010*

Contact Person Responsible for Corrective Action: William Kovach

Contact Phone Number: (574)262-5557

Compliance Requirements: Material Weakness, Other Matters

Verification of vendors reviewed for suspension and debarment was not completed comprehensively. Additionally, purchasing thresholds complying with Federal requirements were not incorporated into routine operations.

We agree with this finding.

Although the district checked vendors for suspension and debarment, not all vendors were verified with documented proof. To ensure adequate internal controls, the Elkhart Area Career Center Secretary will complete reviews, documenting completion with his/her signature. The Elkhart Area Career Center Director will confirm the reviews have been accurately completed, and validate with his/her signature.

Grant requirements of purchasing directives were not adhered to during the period of grant performance. To ensure compliance, all applicable purchase limits falling within the specifications of the Federal requirement will be implemented. As expenditures utilizing grant funds are proposed, the Elkhart Area Career Center Director, or designee, will ensure that proper means are followed that support adequate bids and/or quotes are obtained before the purchase is completed.

Ensuring that competitive purchasing efforts are accurately tracked maintains responsible financial transactions within the district. Integration of multiple personnel of the procurement process also ensures compliance of the internal control efforts.

Anticipated Completion Date: February 2019

\_\_\_\_\_  
Valerie Gillespie  
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments  
Title

\_\_\_\_\_  
10/31/2018  
Date

ELKHART COMMUNITY SCHOOLS  
AUDIT RESULT AND COMMENT

**OVERDRAWN CASH BALANCES**

A similar comment appeared in the prior Report B48370 with the same title.

The financial statements presented in this report included several funds with overdrawn cash balances at June 30, 2016, and June 30, 2017. The General fund was overdrawn by \$1,297,975 and \$3,243,322 for June 30, 2016, and June 30, 2017, respectively. The School Lunch fund was overdrawn by \$1,029,757 as of June 30, 2017. The In/Out Fund was overdrawn by \$235,097 as of 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 Indiana Public School Corporations, Chapter 1)

ELKHART COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2018, with Kevin Scott, Treasurer; Mark T. Mow, interim Superintendent of Schools; Erica Purvis, Controller; Valerie Gillespie, Supervisor of Accounting, Audits, and Investments; and Karen S. Carter, President of the School Board.