

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WASHINGTON COMMUNITY SCHOOLS, INC.
DAVISS COUNTY, INDIANA
July 1, 2015 to June 30, 2017



FILED
12/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	01-01-15 to 12-31-18
Superintendent of Schools	Dr. Daniel Roach	07-01-15 to 06-30-19
President of the School Board	Steven K. Frette	01-01-15 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of the Washington Community Schools, Inc. (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 Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

November 7, 2018

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS

FINDING 2017-001

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The federal award information within the School Corporation's annual report on the Indiana Gateway for Government Units financial reporting system, which was used to generate the School Corporation's SEFA, was entered by the Treasurer without a control process in place to ensure its accuracy before submission.

Context

Due to the lack of effective controls, the following errors occurred on the SEFA presented for audit:

1. Federal expenditures were not reported for three grants, which totaled \$47,935.
2. Commodities of \$179,698 were not reported for the National School Lunch Program.
3. Federal expenditures were overstated by \$386,405 in total for seven grants and understated by \$11,008 in total for two grants.
4. Program titles for nine grants and the CFDA numbers for four grants were incorrectly reported.

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

Criteria

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

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

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

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

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 a 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.
- (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

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure accurate reporting of the SEFA.

WASHINGTON COMMUNITY SCHOOLS, INC.
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 2017-002

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

Management of the School Corporation had not established an adequate internal control system related to financial transactions and reporting of the activity in the Self-Insurance Reserve fund.

The School Corporation utilized a third-party administrator to administer the Washington Community Schools Employee Benefit Trust (Self-Insurance Reserve fund). The administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income, expenditures, and ending cash balances. The School Corporation used the reconciliation worksheets to record the receipts and disbursements in the Self-Insurance Reserve fund on the financial statement.

There was no evidence of any controls, such as an oversight, review, or approval process to verify that the information received from the administrator was accurate or to ensure that the receipts and disbursements reflected in the Self-Insurance Reserve fund on the financial statement were accurate.

Context

The lack of controls was a systemic issue throughout the audit period regarding transactions of the Self-Insurance Reserve fund.

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. . . .

WASHINGTON COMMUNITY SCHOOLS, INC.
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 to ensure proper reporting of the receipts, disbursements, and cash balances of the Self-Insurance Reserve fund.

Effect

The failure to establish a proper system of internal control could have enabled material mis-statements within the Self-Insurance Reserve fund to occur and remain undetected.

Recommendation

We recommended that the School Corporation establish controls to verify the accuracy of the information received from the administrator and to ensure proper reporting of Self-Insurance Reserve fund transactions in the financial statement.

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: School Breakfast Program and National School
Lunch Program - Internal Controls
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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Special Tests and
Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Cash Management

The School Corporation had not designed or implemented an adequate internal control system to ensure that the School Lunch fund monthly cash balances (net cash resources) did not exceed the three months average expenditures. An oversight, review, or monitoring process had not been established.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

An effective internal control system was not in place to ensure that the Paid Lunch Equity calculations were accurate. An oversight, review, or approval process had not been established.

Context

The lack of properly designed and implemented 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 of the School Corporation 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. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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.

WASHINGTON COMMUNITY SCHOOLS, INC.
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 2017-004

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

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

Condition

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

Testing could not be performed on students' eligibility for free and reduced price meals because documentation was not available. The School Corporation used the Harmony online system for free and reduced price applications during the 2015-2016 and 2016-2017 school years. They changed to a new system for the 2017-2018 school year; however, they could not access any of the prior Harmony files for the audit period. The School Corporation was unable to provide evidence that they complied with the eligibility requirements regarding the household notification of eligibility criteria and the parental notification of their students' eligibility for benefits.

Context

The lack of controls and the inability to provide documentation of compliance with the eligibility requirements were systemic issues throughout the audit period.

Criteria

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation was maintained and made available for audit related to the Eligibility compliance requirement.

Effect

The inability to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

FINDING 2017-005

Subject: Child Nutrition Cluster - Equipment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition

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

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

The School Corporation did not comply with the equipment requirements. Only 2 of 11 pieces of equipment purchased during the audit were recorded in the capital asset ledger; 1 of those was not recorded for the correct amount. In addition, no physical inventory was taken in the last two years.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. As a result, \$82,494 in equipment purchased with grant funds was not recorded in the School Corporation's capital asset records.

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). . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

2 CFR 200.313(d) states in part:

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

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the equipment 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 to ensure compliance and comply with the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-006

Subject: School Breakfast Program and National School Lunch Program - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY 2016
Pass-Through Entity: Indiana Department of Indiana
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation during the 2015-2016 school year in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

For the 2015-2016 school year, the School Corporation did not comply with requirements for accounting for program income generated from the operation of the school food service program. A single fund, the School Lunch fund, was used to account for all activity of the school food service program. Although the School Corporation maintained prepaid accounts for students, when prepaid funds were received they were receipted into the School Lunch fund as revenue, with no distinction between the prepaid accounts and the program income generated from the school food service program.

Context

The lack of controls and noncompliance were applicable to the 2015-2016 school year. The School Corporation established a Prepaid School Lunch Fund at the beginning of the 2016-2017 school year to account for prepayments as required.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines, September 2008)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured that prepaid receipts and program income receipts were properly identified and accounted for in order to ensure compliance with the Program Income 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 program income 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 to ensure compliance and comply with the Program Income compliance requirement.

WASHINGTON COMMUNITY SCHOOLS, INC.
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 2017-007

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-003.

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 Reporting compliance requirement.

One employee was responsible for completing and submitting all required reports, including the Monthly Sponsor Claims and Annual Financial Reports. There was no oversight, review, or approval by anyone else at the School Corporation to ensure the accuracy of the reports prior to submission.

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

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Reporting compliance requirement.

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 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.

FINDING 2017-008

Subject: School Breakfast Program and National School Lunch Program - Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. The Food Service Director performed the verification of free and reduced price applications and prepared and submitted the School Food Authority (SFA) Verification Collection Reports (Verification Reports). There was no documentation of a control in place, such as an oversight, review, or approval process.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

The 2015-2016 and 2016-2017 Verification Reports could not be verified, since not all supporting information was retained and presented for audit. No supporting documentation was available for the 2015-2016 Verification Report. No free and reduced price applications were available to support section 4 of the 2016-2017 Verification Report.

For the 2015-2016 school year, the School Corporation did not present the applications which were verified, so compliance with the verification requirements not be determined.

Context

The lack of controls and failure to maintain and provide appropriate supporting documentation were systemic issues during 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). . . ."

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation related to the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements was maintained and made available for audit.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Effect

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Reporting and Special Tests and Provisions - Verification of Free and Reduced Applications (NSLP) compliance requirements will be maintained and made available for audit.

Views of Responsible Officials

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

FINDING 2017-009

Subject: Title I Grants to Local Educational Agencies - Eligibility and Special Tests and Provisions - Participation of Private School Children
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): 16-1405, 17-1405
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Special Tests and Provisions - Participation of Private School Children
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements.

The School Corporation did not have an effective system of internal controls over the eligible schools summary portion of the Title I grant applications. The School Corporation had not retained the supporting documentation to support the non-public enrollment and poverty data, as well as the public poverty data for the 2015-2016 and 2016-2017 grant applications. As a result, the accuracy of the non-public set asides for educational services provided to private school children, calculated in the Title I applications, could not be determined.

Context

The lack of an effective internal control system and failure to retain and present supporting documentation for the eligibility summary was a systemic issue throughout the audit period.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

34 CFR 80.42 states in part:

"(a) *Applicability.*

- (1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:
 - (i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or
 - (ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

- (1) Except as otherwise provided, records must be retained for three years from the starting date. . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured that records were maintained and made available for audit related to the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements.

Effect

The lack of appropriate documentation prevented the determination of the School Corporation's compliance with the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Eligibility and Special Tests and Provisions - Participation of Private School Children compliance requirements will be maintained and made available for audit.

Views of Responsible Officials

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

FINDING 2017-010

Subject: Title I Grants to Local Educational Agencies -
Special Tests and Provisions - Comparability
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): 16-1405, 17-1405
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-007.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the comparability report was accurate. One person was responsible for preparing and submitting the comparability report. There was no segregation of duties, such as an oversight, review, or approval process.

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 of the School Corporation had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Comparability compliance requirement.

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Comparability 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 2017-011

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

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): 14216-007-PN01, 14217-007-PN01,
45715-009-PN01, 45716-007-PN01,
45717-007-PN01

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 finding from the immediately prior audit. The prior audit finding number was 2015-011.

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 School Corporation was a participating member school corporation of the Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements.

The School Corporation did not ensure that the Cooperative had established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not ensure that procedures were performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls was a systemic issue throughout the audit period. Four contracted vendors received more than \$25,000 to provide special education services during the audit period.

WASHINGTON COMMUNITY SCHOOLS, INC.
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 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 must do this by:

- (a) Checking 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

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the suspension and debarment 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 to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

WASHINGTON COMMUNITY SCHOOLS, INC.
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.



Washington Community Schools

301 East South Street
Washington, IN 47501

(812) 254-5536

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CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Carrie Alford, Dr. Daniel Roach, Kevin Frank

Contact Phone Number: 812-254-5536

Views of Responsible Official:

Since we were not audited until after the close of the 15-17 biannual period for the previous biannual period, the audited reports were already completed and submitted incorrectly before any officials at WCS were aware of the problems.

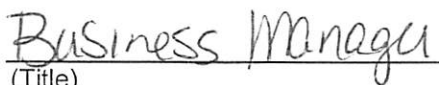
Description of Corrective Action Plan:

Since the close of the last audit in August 2017, the SEFA is reviewed by both the Superintendent and the Asst. Superintendent.

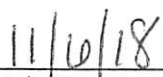
Anticipated Completion Date: August 2017



(Signature)



(Title)



(Date)



Washington Community Schools

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Washington, IN 47501
(812) 254-5536

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CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Dr. Daniel Roach, Carrie Alford
Contact Phone Number: 812-254-5536


Views of Responsible Official:

Washington Community School officials disagree with this finding. WCS has an 1100 Self Insurance fund that we control. Those funds are subject to the same controls as all other corporation funds. The fund that is being referred to in this finding is a fund that is not owned by Washington Community Schools (Tax ID 351099438), it is owned by Washington Community Schools Benefit Trust with a different Tax-ID number. Once these funds are sent to Dunn and Associates they are no longer under the control or the umbrella of Washington Community Schools. These funds will never be returned to Washington Community Schools, even if Washington Community Schools decides to no longer employ the use the trust account those funds will be sent to the new provider of health coverage. Dunn and Associates is audited regularly by both the DOL and the re-insurance carriers to ensure proper use of funds according to the trust agreement.

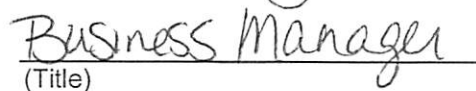
Description of Corrective Action Plan:

Dunn and Associates is audited regularly to ensure all receipts and disbursements are accurate and related to the correct group. To ensure Washington Community Schools is in compliance with HIPPA regulations, we will not be reviewing claims paid for our employees. Dunn and Associates emails a balance each Wednesday to the Business Manager and she forwards to the Superintendent. The Superintendent keeps these weekly balance reports in a binder. This report is used to ensure the check written each month by the Business Manager is received by Dunn and Associates and added to the reserve amount. There are weekly claims paid total is included in this report as well.

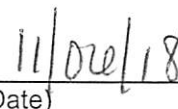
Anticipated Completion Date: Trust agreement 2006



(Signature)



(Title)



(Date)



Washington Community Schools

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Washington, IN 47501
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CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

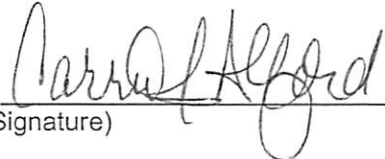
This is a repeat finding due to the fact that the 13-15 audit didn't occur until after the 15-17 period was complete.

Description of Corrective Action Plan:

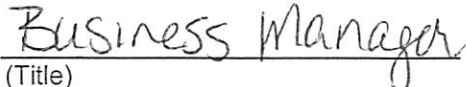
The Business Manager, Superintendent and the Board monitor the School lunch fund monthly. It is an easy observation that we do not carry a balance that is more than 3 months' worth of expenditures. The balance will continue to be monitored monthly. The Business Manager will initial next to the balance of the School lunch fund on the monthly Fund Report indicating the review has been done.

Since October 2016, all reports including Paid Lunch Equity are reviewed and signed by the Food Service Director.

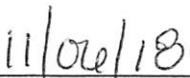
Anticipated Completion Date: October 2016



(Signature)



(Title)



(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

The Business Manager was not made aware that the records were never provided, records in fact may be accessed. This is a repeat finding due to the fact that the 13-15 audit didn't occur until after the 15-17 period was complete.

Description of Corrective Action Plan:

Washington Community Schools has procedures in place that ensure Parents are sent letters letting them know of the decision of their Free/Reduced Application. This process has been reviewed and approved by an IDOE School Nutrition Specialist.

After the last Audit, August 2017, the IDOE required letter was sent home with every student informing them of the eligibility criteria per guidance from SBOA. Beginning with the registration process for students for the 18-19 school year, every parent acknowledged by signing off when enrolling their child into school.

Anticipated Completion Date: August 2017



(Signature)


(Title)


(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-005

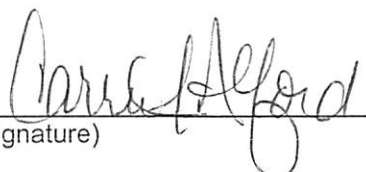
Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

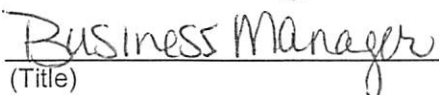
Views of Responsible Official:

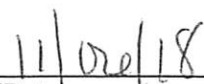
Description of Corrective Action Plan:

Washington Community Schools plans to use the inventory system that Sodexo maintains to track equipment to more effectively track equipment purchases and disposal.

Anticipated Completion Date: Jan 2019


(Signature)


(Title)


(Date)



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CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number:

Views of Responsible Official:

This problem was fixed prior to the previous audit.

Description of Corrective Action Plan:

In August of 2016, a separate Prepaid account was established and is maintained with all the internal controls of all other Corporation Funds.

Anticipated Completion Date: August 2016

Carrie Alford
(Signature)

Business Manager
(Title)

11/02/18
(Date)

CORRECTIVE ACTION PLAN



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Washington, IN 47501
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FINDING 2017-007

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536


Views of Responsible Official:

The Business Manager was not made aware that the information was not provided to the Auditor for verification, records in fact may be accessed. The Food Service Director reviews all Claims and Financial Reports.

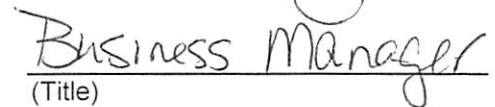
Description of Corrective Action Plan:

Going forward, Washington Community Schools will continue to ensure all reports are reviewed and signed by a supervisor.

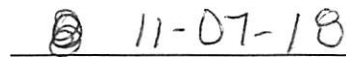
Anticipated Completion Date: December 2018



(Signature)



(Title)



(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-008

Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

This process was fixed for the 16-17 School year. The Business Manager was not made aware records were not provided, records in fact may be accessed.

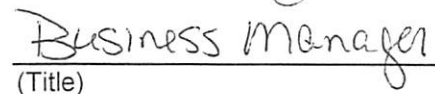
Description of Corrective Action Plan:

The verification process was moved out of the duties of the Food Service Secretary and given to a Building ECA Treasurer. Since that move, the process has been done correctly and proper records have been retained. The Food Service Director review and signs the Verification Reports.

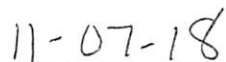
Anticipated Completion Date: August 2016



(Signature)



(Title)



(Date)



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FINDING 2017-009

Contact Person Responsible for Corrective Action: Kevin Frank
Contact Phone Number: 812-254-5536

Views of Responsible Official:

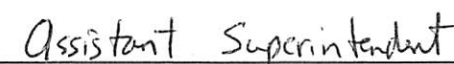
Description of Corrective Action Plan:

Washington Community Schools will maintain documentation of enrollment that will be pulled on the same date of public and non-public schools. Documentation will remain on file to prove enrollment numbers.

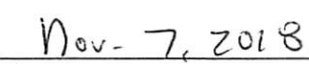
Anticipated Completion Date: November 2018



(Signature)



(Title)



(Date)



Washington Community Schools

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Washington, IN 47501
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CORRECTIVE ACTION PLAN

FINDING 2017-010

Contact Person Responsible for Corrective Action: Kevin Frank
Contact Phone Number: 812-254-5536

Views of Responsible Official:

This process was fixed at the conclusion of the last audit in August of 2017. This however, was after the conclusion of the 15-17 audit period.

Description of Corrective Action Plan:

Beginning in August 2017, all Comparability Reports are prepared by the Assistant Superintendent but reviewed and approved by the Superintendent and the School Board.

Anticipated Completion Date: August 2017

Kevin Frank
(Signature)

Assistant Superintendent
(Title)

Dec. 7, 2018
(Date)



Washington Community Schools

301 East South Street
Washington, IN 47501
(812) 254-5536
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CORRECTIVE ACTION PLAN

FINDING 2017-011

Contact Person Responsible for Corrective Action: Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Views of Responsible Official:

This is a repeat finding due to the fact that the 13-15 audit didn't occur until after the 15-17 period was complete.


Description of Corrective Action Plan:

The Superintendent began monitoring the Daviess Martin Special Education Director at the conclusion of the last audit, August 2017, and continues to monitor Daviess Martin Special Education Director to ensure compliance with all grant requirements.

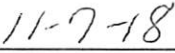
Anticipated Completion Date: August 2017



(Signature)



(Title)



(Date)

WASHINGTON COMMUNITY SCHOOLS, INC.
AUDIT RESULTS AND COMMENTS

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

The School Corporation failed to provide training to personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). Yet, the Treasurer certified on Indiana's Gateway for Government Units financial reporting system that the School Corporation had provided employees with internal control training during 2016 and 2017.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

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](#)."

OVERDRAWN CASH BALANCES

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30:

Fund	Amount Overdrawn	
	June 30, 2016	June 30, 2017
Economic Development Grant	\$ (1,362)	\$ (1,730)
Excellence In Performance 12-13	(77)	-
NESP 15-16	-	(1,554)
Performance Based Awards	-	(913)
School Resource Officer	(76,393)	(51,393)
SRO Secured Schools Grant	(363)	(75,363)
Title III 2015-17	-	(581)
Payroll Withholding & Clearing	(3,551)	-

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)

WASHINGTON COMMUNITY SCHOOLS, INC.
EXIT CONFERENCE

The contents of this report were discussed on November 7, 2018, with Carrie Alford, Treasurer; Dr. Daniel Roach, Superintendent of Schools; Steven K. Frette, President of the School Board; and Kevin Frank, Assistant Superintendent of Schools.