

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SHENANDOAH SCHOOL CORPORATION

HENRY COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**

01/03/2019



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2017-001	
Preparation of the Schedule of Expenditures of Federal Awards .....	4-6
Finding 2017-002	
Special Education Cluster (IDEA) - Activities Allowed or Unallowed.....	6-7
Finding 2017-003	
Special Education Cluster (IDEA) - Allowable Costs/Cost Principles.....	8-9
Finding 2017-004	
Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort.....	9-11
Finding 2017-005	
Child Nutrition Cluster - Allowable Costs/Cost Principles .....	11-12
Finding 2017-006	
Child Nutrition Cluster - Internal Controls .....	13-15
Finding 2017-007	
Child Nutrition Cluster - Suspension and Debarment .....	15-16
Finding 2017-008	
Child Nutrition Cluster - Program Income .....	16-18
Corrective Action Plan.....	19-23
Exit Conference.....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julia D. Miller	07-01-15 to 06-30-19
Superintendent of Schools	Ronald L. Green	07-01-15 to 06-30-19
President of the School Board	Scott Trennepohl	01-01-15 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE SHENANDOAH SCHOOL CORPORATION, HENRY COUNTY, INDIANA

This report is supplemental to our audit report of the Shenandoah School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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.

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

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

November 13, 2018

SHENANDOAH SCHOOL CORPORATION  
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 2015-002.

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

Due to the lack of controls, the following errors occurred on the SEFA:

1. The National School Lunch Program expenditures were understated by \$48,437 and \$87,749 for the years ended June 30, 2016 and 2017, respectively.
2. The Special Education\_Grants to States expenditures were understated by \$297,353 and \$301,071 for the years ended June 30, 2016 and 2017, respectively.
3. The Special Education\_Preschool Grants expenditures were understated by \$13,159 and \$13,880 for the years ended June 30, 2016 and 2017, respectively.
4. The Title I Grants to Local Educational Agencies expenditures were overstated by \$647,269 for the year ended June 30, 2016, and understated by \$11,724 for the year ended June 30, 2017.
5. The Supporting Effective Instruction State Grants expenditures were overstated by \$2,938 and \$14,826 for the years ended June 30, 2016 and 2017, respectively.

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:

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

Accurate and timely recording of transactions. . . ."

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.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (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*

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

*Recommendation*

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

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed

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): 14215-044-PN01, 14216-044-PN01,  
14217-044-PN01, 45715-044-PN01,  
45716-044-PN01, 45717-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Audit Finding: Significant Deficiency

*Repeat Finding*

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

*Condition*

The School Corporation was a member school corporation of the New Castle Area Special Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. Since 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 following the compliance requirements.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 compliance requirement. There was no control procedure in place to ensure payroll expenditures from the special education programs were for allowable activities.

*Context*

The lack of controls was isolated to the first year of 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*

The School Corporation's management had not developed a system of internal controls to ensure compliance with the allowable activities requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the allowable activities requirements. 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 Activities Allowed or Unallowed compliance requirement.

*Views of Responsible Officials*

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

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-003***

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

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-044-PN01, 14216-044-PN01,  
14217-044-PN01, 45715-044-PN01,  
45716-044-PN01, 45717-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Significant Deficiency

*Repeat Finding*

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

*Condition*

The School Corporation was a member of the New Castle Area Special Services Cooperative (Cooperative). The School Corporation provided oversight of the Cooperative through the Superintendent of Schools, who served as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to the Allowable Costs/Cost Principles compliance requirement.

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. There was no control procedure in place to ensure that all employees paid from the special education programs were allowed.

*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*

The School Corporation's management had not developed a system of internal controls to ensure compliance with the allowable costs requirements.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the allowable costs requirements. 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 Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-004**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

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): 14215-044-PN01, 14216-044-PN01,  
14217-044-PN01, 45715-044-PN01,  
45716-044-PN01. 45715-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the level of effort - maintenance of effort (MOE) requirements.

The School Corporation did not provide adequate supporting documentation to support compliance with the MOE requirements. Some of the amounts used in the MOE calculation for the fiscal year 2017 application were estimated amounts. When compared to actual amounts expended for fiscal year 2017, the MOE calculation was understated by \$43,314.

*Context*

The lack of internal controls and noncompliance pertained only to the fiscal year 2017 MOE calculation.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

*Cause*

The School Corporation's Management had not developed a system of internal controls that would have ensured compliance with the MOE requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Matching, Level of Effort, Earmarking compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-005**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation did not keep the proper time and effort documentation for the employees paid from the School Lunch fund. One employee worked as an ECA Treasurer and worked for the food service program. There were no time and effort logs, which indicated the allocation of the time worked on the food service program compared to the time being worked as the ECA Treasurer for this employee. Another employee who worked exclusively for the food service program did not have Semi-Annual Certifications, which indicated the time worked on the food service program.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (iv) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the allowable costs requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement or the allowable costs 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 Allowable Costs/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-006***

Subject: Child Nutrition Cluster - 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): FY15, FY16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Significant Deficiency

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding eligibility, reporting, and verification of free and reduced price applications. The prior audit finding numbers were 2015-005 and 2015-006.

*Condition*

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

*Cash Management*

The School Corporation had not developed procedures whereby the cash balances (net cash resources) in its School Lunch fund were monitored to ensure that they did not exceed three months average expenditures of the program.

*Eligibility*

One individual was responsible for determining students' eligibility for free and reduced price meals. There were no controls in place, such as an oversight, review, or approval process over the applications, to ensure that the eligibility determinations were correct.

*Reporting*

The School Corporation had not developed procedures to ensure the accuracy of required reports. There was no review or approval of the Monthly Sponsor Claims for Reimbursement, Annual Financial Reports, or the School Food Authority (SFA) Verification Collection Reports to ensure their accuracy before submission.

*Verification of Free and Reduced Price Applications (NSLP)*

One employee was primarily responsible for verifying eligibility determinations based on the free and reduced price applications. An oversight or review process, or other compensating control, had not been established to ensure that the proper number of applications were verified.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*School Food Accounts*

The School Corporation was required to account for revenues and expenditures for food service in accordance with state requirements; however, there was no documented oversight or review to verify these funds were accounted for properly.

*Paid Lunch Equity (National School Lunch Program only)*

One employee was primarily responsible for performing the paid lunch equity calculations. An oversight or review process, or other compensating control, had not been established to ensure that the paid lunch equity calculations were correct.

*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*

The School Corporation's management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance 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 compliance requirements listed above.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2017-007**

Subject: Child Nutrition Cluster - Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16  
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 requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

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

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 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's management had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and 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.

*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: Child Nutrition Cluster - Program Income  
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 15-16, FY 16-17  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
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 Program Income compliance requirement.

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation had not properly designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records.

The School Corporation recorded all receipts, including prepaid amounts, directly in the School Lunch fund (800) during the 2015-2016 school year. They had not established a School Lunch Clearing Fund (8400) to account for the prepaid school lunch accounts until July 2016. Therefore, prepaid amounts were reported as program income before meals were charged to the accounts.

*Context*

The lack of controls and noncompliance were isolated to the 2015-2016 school year.

*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). . . ."

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."

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 220.7(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). (The School Administrator and Uniform Compliance Guidelines, September 2015)

SHENANDOAH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the program income requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to remain 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.

*Views of Responsible Officials*

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



5100 North Raider Road  
Middletown, IN 47356  
Phone 765.354.2266  
Fax 765.354.2274

SHENANDOAH SCHOOL CORPORATION  
CORRECTIVE ACTION PLAN  
Audit Period 7/1/15 to 6/30/17  
November 13, 2018

**FINDING 2017-001** PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding.

Description of Corrective Action Plan:

We have not currently implemented internal controls related to the preparation of SEFA but are still working on the changes. The Shenandoah School Corporation will add controls over review of financial activities, including but not limited to bank reconciliations, receipting, disbursing, recording and general accounting procedures.

Anticipated Completion Date:

January 1, 2019

**FINDING 2017-002** ACTIVITIES ALLOWED OR UNALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

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

Description of Corrective Action Plan:

This audit finding is a result of the New Castle Area Special Services not having established an effective internal control system in relation to Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

Please refer to the Corrective Action Plan that has been devised to address this lack of control within the New Castle Area Special Services, our Cooperative and the member board.

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-003 ALLOWABLE COSTS/COST PRINCIPLES***

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

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

Description of Corrective Action Plan:

This audit finding is a result of the New Castle Area Special Services not having established an effective internal control system in relation to Allowable Costs/Cost Principles.

Please refer to the Corrective Action Plan that has been devised to address this lack of control within the New Castle Area Special Services, our Cooperative and the member board.

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-004 LEVEL OF EFFORT-MAINTENANCE OF EFFORT***

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266 Ext 502

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to verify the accuracy of the applicant status and to adequately document the verification of eligibility, and to better control record management.

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-005 CHILD NUTRITION CLUSTER-ALLOWABLE COSTS/COST PRINCIPLES***

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to include Time and Effort documentation for all employees paid from the School Lunch Fund as related to the compliance requirements.

Anticipated Completion Date:

November 18, 2018

**FINDING 2017-006 CHILD NUTRITION CLUSTER-INTERNAL CONTROLS**

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

This is a repeat finding from the immediately prior audit regarding eligibility, reporting, and verification of free and reduced price applications. The prior audit finding numbers were 2015-005 and 2015-006.

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to include Cash Management to ensure that the net cash resources in the fund did not exceed the three months average expenditures.

Also, The Shenandoah School Corporation will add controls to include Segregation of Duties to ensure that the eligibility for the applications of the School Lunch program and that all eligibility determinations were correct.

Also, The Shenandoah School Corporation will add controls to include provide proper oversight and monitoring of preparation and reporting of the Monthly Sponsor Claim for Reimbursement, Annual Financial Report (AFR) and Verifications Summary Report related to the compliance requirements.

Also, The Shenandoah School Corporation will add controls to include provide proper oversight and monitoring of preparation and reporting of the NSLP Verification of Free and Reduced Price Applications, School Food Accounts and Paid Lunch Equity as related to the compliance requirements.

Anticipated Completion Date:

January 1, 2019

**FINDING 2017-007 CHILD NUTRITION CLUSTER-SUSPENSION AND DEBARMENT**

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to ensure compliance with requirement related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. .

Anticipated Completion Date:

January 1, 2019

***FINDING 2017-008 CHILD NUTRITION CLUSTER-PROGRAM INCOME***

Contact Person Responsible for Corrective Action: Julia D Miller

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

We concur with this finding

Description of Corrective Action Plan:

This has been corrected and the finding was limited to the 2016 program year.

Anticipated Completion Date:

Completed.

Contact Phone Number: (765) 354-2266 Ext 509

Views of Responsible Official:

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

Description of Corrective Action Plan:

The Shenandoah School Corporation will add controls to include provide proper oversight and monitoring of preparation and reporting of the NSLP Verification of Free and Reduced Price Applications, School Food Accounts and Paid Lunch Equity as related to the compliance requirements.

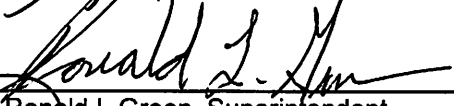
Anticipated Completion Date:

January 1, 2019



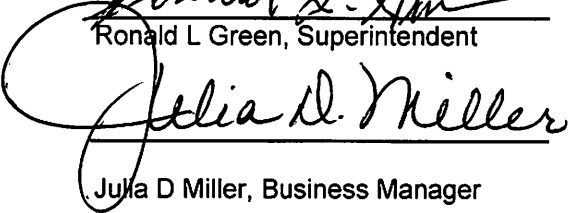
---

Scott Trennepohl, Board President



---

Ronald L Green, Superintendent



---

Julia D Miller, Business Manager

SHENANDOAH SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on November 13, 2018, with Jay Cronk, Vice President of the School Board; Julia D. Miller, Treasurer; and Ronald L. Green, Superintendent of Schools.