

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELWOOD COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
01/11/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joa Griffith	07-01-14 to 12-31-18
Superintendent of Schools	Dr. Tim Smith Thomas Austin (interim) Dr. Christopher E. Daughtry Dr. Casey Smitherman	07-01-14 to 01-02-15 01-03-15 to 06-30-15 07-01-15 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	Stephanie Hoel Robert Savage Stephanie Hoel Arnie Bell Robert Savage	07-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE ELWOOD COMMUNITY SCHOOL
CORPORATION, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the Elwood Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

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

November 19, 2018

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-001.

Condition

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units 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 effective controls, the SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$40,432 and overstated by \$124,454 for the years ended June 30, 2015 and 2016, respectively. Included in the Child Nutrition Cluster understatement and overstatement was the omission of the National School Lunch Program Commodities for both periods and a data entry error resulting in an \$180,000 overstatement of the Summer Food Service Program for Children for the year ended June 30, 2016.
2. The Title I Grants to Local Educational Agencies expenditures were understated by \$1,450 and \$16,654 for the years ended June 30, 2015 and 2016, respectively. The Title I Grants to Local Educational Agencies expenditures of \$16,654 for the year ended June 30, 2016, were incorrectly classified as Career and Technical Education - Grants to Native Americans and Alaska Natives.
3. The Social Security Disability Insurance expenditures of \$140 and \$196 were omitted for the years ended June 30, 2015, and June 30, 2016, respectively.
4. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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:

ELWOOD COMMUNITY 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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting as follows:

1. The School Corporation did not issue receipts at the time of collections. Instead, collections were documented on a log until a later day when all accumulated collections were receipted in at one time. If a payer requested a receipt at time of payment, a separate generic receipt book was used.
2. Some funds presented on the School Corporation ledgers were combined when presented on the Biannual Financial Report (Form 9).
3. Fund reports originally provided for audit were determined to not be the final and complete version. One capability which contributed to this, was that printout dates could be overridden and backdated.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

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

Criteria

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

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

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

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

Cause

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

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting.

Views of Responsible Officials

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

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.

There were no controls to ensure that utility expenses charged to the programs complied with the allowable cost principles that all federal programs be handled consistently when applying indirect costs. The food service programs were charged a set amount of \$21,000 for utilities in fiscal years 2014-2015 and 2015-2016. The indirect cost amounts were not determined using the Indirect Cost Unrestricted Rate. The School Corporation arbitrarily determined a flat rate and allocated the amount among all of the school buildings. The indirect costs for utilities that were not charged consistently and were not properly documented are considered questioned costs.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment A, Part C states in part:

- "1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:
- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
 - b. Be allocable to Federal awards under the provisions of this Circular. . . .
 - e. Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit. . . .
 - j. Be adequately documented. . . ."

OMB Circular A-87, Attachment E, Part C states in part:

- "1. General.
- (a) Where a governmental unit's department or agency has only one major function, or where all its major functions benefit from the indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate accomplished through simplified allocation procedures as described in subsection 2. . . .
2. Simplified method. . . .
- (b) Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs must be included in the direct costs if they represent activities to which indirect costs are properly allocable. . . ."

2 CFR 200.414(d) states: "Pass-through entities are subject to the requirements in § 200.331 Requirements for pass-through entities, paragraph (a)(4)."

2 CFR 200.331 states in part:

"All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
 - (1) Federal Award Identification. . . .
 - (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs). . . .

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (4) An approved federally recognized indirect cost rate negotiated between the sub-recipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f); . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. . . .
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. . . .
- (g) Be adequately documented. . . ."

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of funds to the School Corporation.

Questioned Costs

Questioned costs of \$42,000 were identified, as described in the *Condition*.

Recommendation

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

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.

Effective controls were not in place to ensure that only applicable employees were paid from program funds. Employees who worked on multiple activities or cost objects during both school years did not maintain personnel activity reports or other documentation of time allocated to the program. Total payroll disbursements paid from the School Lunch fund for split-funded employees amounted to \$6,907 for fiscal year 2014-2015 and \$8,733 for fiscal year 2015-2016.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria: . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- c. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- d. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

OMB Circular A-87, Attachment B, section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of funds to the School Corporation.

Questioned Costs

Questioned costs of \$15,640 were identified, as described in the *Condition*.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-005

Subject: Child Nutrition Cluster - Eligibility

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Modified Opinion

Condition

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the proper eligibility determinations were made for students prior to providing benefits. Eligibility determinations were made by the Food Service Director, but there was no evidence to support a review of those determinations.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that they complied with the eligibility requirements regarding the notification to households eligibility criteria. They were not able to provide evidence that parents/guardians were notified of their children's eligibility for benefits.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility requirement.

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 3016.42 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 . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
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

Management had not developed a system of internal controls to ensure compliance with the Eligibility compliance requirement. Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Eligibility compliance requirement was made available for audit.

Effect

The failure to provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and 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 compliance with the grant agreement and the Eligibility compliance requirement. We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Eligibility compliance requirement will be maintained and 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 2016-006

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 2014-2015, FY 2015-2016

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.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. The School Corporation and the Food Service Department each kept a separate list of equipment acquired with federal awards. However, both lists lacked required details such as the source of funding, title details, acquisition date and cost, location, disposition data including date of disposal, and sales price, among other details. A disposal of equipment tested could not be verified to either Capital Asset Listing because there was not enough detail in the generic description on the provided sale documentation.

Context

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

Criteria

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

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

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 3016.32(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, 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 property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, 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.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

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.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

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 placed the School Corporation in non-compliance with the grant agreement and the equipment requirements. 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 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.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-007

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: 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 procurement requirements.

The School Corporation's purchasing policy was not updated to include all the procurement standards as outlined in 2 CFR 200.318 and 2 CFR 200.320.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance applied 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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.320 states in part:

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

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

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

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the procurement requirements. Noncompliance with the grant agreement and the procurement 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 with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-008

Subject: School Breakfast Program, 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 Numbers and Years (or Other Identifying Numbers): FY 2014-2015, FY 2015-2016
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.

There were no controls in place to ensure that program income was properly recorded. The School Corporation established a single fund, the School Lunch fund, to record all activity of the food service programs. All receipts from sales, as well as prepayments to student accounts, were recorded directly in the School Lunch fund. Prepayments were receipted into the School Lunch fund as revenue in one account, and later moved from that account into a separate account within the same fund when meals were consumed; a separate prepaid fund was not established.

Context

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

Criteria

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

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

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). . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 throughout 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; . . ."

2 CFR 200.302(a) states in part:

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

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of fund for federal-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."

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 transfer 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 Bulletin and Uniform Compliance Guidelines, September 2008)

Cause

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FINDING 2016-009

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 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

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 Reporting compliance requirement. There were no controls to ensure the accuracy of the required reports before submission.

The School Corporation prepared and submitted the monthly Sponsor Claims (claims for reimbursement), the Annual Financial Reports, and the School Food Authority (SFA) Verification Collection Report (verification reports) without evidence of a proper system of oversight or review.

The monthly claims for reimbursement had errors in the amounts claimed for reimbursement.

The 2014-2015 verification report could not be traced to supporting documentation. Documentation presented did not support the total number of free and reduced applications that was reported.

Context

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Reporting compliance requirement. Noncompliance with the grant agreement and the reporting 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 with 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 2016-010

Subject: Child Nutrition Cluster - 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 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

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

Context

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 to ensure compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Views of Responsible Officials

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-011

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): ESEA 14-5280, ESEA 15-5280,
2015 SIG, ESEA 16-5280

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Period of Performance, Special Tests and Provisions -
Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Condition

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

Cash Management

There were no controls to ensure that expenditures were made before reimbursement was requested. Not all reimbursement requests included signatures of the preparer and the approver.

Period of Performance

There were no controls to ensure that expenditures were made within the period of performance. Not all reimbursement requests included signatures of the preparer and the approver.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

There were no controls to ensure that the mobility information was accurate and reviewed prior to the students being removed.

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. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Period of Performance, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

Views of Responsible Officials

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

FINDING 2016-012

Subject: Title I Grants to Local Educational Agencies - Activities
Allowed or Unallowed, Allowable Costs/Cost Principles

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): ESEA 14-5280, ESEA 15-5280,
2015 SIG, ESEA 16-5280

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Modified Opinion

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. There were no controls to ensure that program expenditures were for allowable activities or allowable costs. Not all reimbursement requests included signatures of the preparer and the approver.

An approved contract for a bus driver was not documented in the minutes of the School Board. The amount paid to the bus driver without an approved contract is considered a questioned cost.

In addition, the Title I Director completed a Time and Effort Log monthly. However, for one pay period tested, the Title I Director's salary was paid 35 percent from Title I funds. The respective Time and Effort log documented that only 31.25 percent of the Director's time was applicable to the Title I program.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

OMB Circular A-87, Attachment B, Section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- a. More than one Federal award,
- b. A Federal award and a non-Federal award, . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

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. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 74.22 states in part:

"(e) Reimbursement is the preferred method when the requirements in paragraph (b) of this section cannot be met. . . .

(1) When the reimbursement method is used, the Secretary makes payment within 30 days after receipt of the billing, unless the billing is improper. . . .

(f) . . . Thereafter, the Secretary reimburses the recipient for its actual cash disbursements. . . ."

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

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

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

Effect

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

Questioned Costs

Questioned costs of \$35,316 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/ Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2016-013

Subject: Title I Grants to Local Educational Agencies - Eligibility

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): ESEA 14-5280, ESEA 15-5280,
2015 SIG, ESEA 16-5280

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Other Matters

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

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

The 2014-2015 school year Title I grant application was prepared by the Title I Director and signed by the Title I Director in the certification box where the Superintendent of Schools should have signed as certifier. Therefore, there was no evidence of control over the 2014-2015 Title I grant application. The 2015-2016 school year Title I original grant application was prepared by the Title I Director and was electronically signed as certified by the Superintendent of Schools. However, amendments to the grant application were made with the Title I Director's name in the certification box where the Superintendent of School's name should have appeared.

Comparison of the Public Enrollment Summary Report from the 2013-2014 school year to the Eligible School Summary on the 2014-2015 Title I grant application showed that the numbers reported were significantly different. For example, the High School Public Enrollment Summary Report listed 455 students, but the Eligible School Summary listed 676 students.

Comparison showed that the number of the Free/Reduced participants reported on the 2014-2015 Child Nutrition grant application differed significantly from the Public Poverty figures included on the Eligible Schools Summary, which was part of the 2014-2015 Title I grant application. For example, the high school number of Free/Reduced participants was listed as 239 on the 2014-2015 Child Nutrition grant application and 399 on the Eligible Schools Summary.

Context

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

Criteria

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

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

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 76.700 states: "A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 200.78(a)(1) states: "An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Eligibility compliance requirement. Noncompliance with the grant agreement and the eligibility 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 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.

FINDING 2016-014

Subject: Title I Grants to Local Educational Agencies - Reporting

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): ESEA 14-5280, ESEA 15-5280, 2015 SIG, ESEA 16-5280

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

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 Reporting compliance requirement. There were no controls to ensure the accuracy of the required reports before submission. Not all reimbursement requests included signatures of a preparer or approver.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

There were also no internal controls over the submission of the 2014-2015 and 2015-2016 Annual Financial Reports. The reports were prepared by the Title I Director; however, there was no signature on the report confirming review by a second individual. Additionally, inspection of the 2014-2015 Annual Financial Report revealed that while the amount of Total Expenditures reported agreed with the ledger, some expenditures from one account were included in other accounts.

An internal control was in place over data submitted on the Biannual Financial Report. The Biannual Financial Report was signed by the Treasurer, Superintendent of Schools, and President of the School Board. However, during the 2015-2016 school year, this control did not detect three instances of an incorrect fund number being reported on the Biannual Financial Report. Therefore, the control was not effective.

Context

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

Criteria

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

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

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.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (b) The financial management systems of other grantees and subgrantees must meet the following standards:
- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
 - (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

2 CFR 200.302(a) states in part:

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

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Reporting compliance requirement. Noncompliance with the grant agreement and the reporting 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 with 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.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-015

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Schoolwide Programs
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): ESEA 14-5280, ESEA 15-5280, 2015 SIG, ESEA 16-5280
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Schoolwide Programs
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 Special Tests and Provisions - Schoolwide Programs compliance requirement. There were no controls to ensure that all required elements of a schoolwide plan were addressed.

The 2014-2015 school year Title I grant application was prepared by the Title I Director and signed by the Title I Director in the certification box where the Superintendent of Schools should have signed as certifier. Therefore, there was no evidence of control over the 2014-2015 Title I grant application. The 2015-2016 school year Title I original grant application was prepared by the Title I Director and was electronically signed as certified by the Superintendent of Schools. However, amendments to the grant application were made with the Title I Director's name in the certification box where the Superintendent of School's name should have appeared.

Inspection of the 2014-2015 and 2015-2016 School Improvement Plan for the Elwood Intermediate School did not demonstrate that there was instruction by highly qualified professional staff. Additionally, while the 2015-2016 Elwood School Improvement Plan did list goals and strategies, it did not include a comprehensive needs assessment of the entire school, comprehensive plan based on this assessment, or an annual evaluation of the results achieved by the schoolwide program and revision of the plan based on that evaluation. The plan also did not mention additional support services to students experiencing difficulty. These were areas that were addressed in the previous school year 2014-2015 School Improvement Plan for Elwood Intermediate School.

Context

The lack of controls and noncompliance were systemic problems 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. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 200.28 states in part:

"A schoolwide program must include the following components:

(a) *Schoolwide reform strategies.* The schoolwide program must incorporate reform strategies in the overall instructional program. Those strategies must—

- (1) Provide opportunities for all students to meet the State's proficient and advanced levels of student academic achievement;
- (2)(i) Address the needs of all students in the school, particularly the needs of low-achieving students and those at risk of not meeting the State's student academic achievement standards who are members of the target population of any program included in the schoolwide program; and
 - (i) Address how the school will determine if those needs have been met:

(b) *Instruction by highly qualified teachers.* A schoolwide program must ensure instruction by highly qualified teachers and provide ongoing professional development. The schoolwide program must—

- (1) Include strategies to attract highly qualified teachers, as defined in § 200.56;
- (2)(i) Provide high-quality and ongoing professional development in accordance with sections 1119 and 9101(34) of the ESEA for teachers, principals, paraprofessionals and, if appropriate, pupil services personnel, parents, and other staff, to enable all students in the school to meet the State's student academic standards; and
 - (ii) Align professional development with the State's academic standards;
- (3) Devote sufficient resources to carry out effectively the professional development activities described in paragraph (b)(2) of this section; and
- (4) Include teachers in professional development activities regarding the use of academic assessments described in § 200.2 to enable them to provide information on, and to improve, the achievement of individual students and the overall instructional program. . . .

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(d) *Additional support.* A schoolwide program school must include activities to ensure that students who experience difficulty attaining the proficient or advanced levels of academic achievement standards required by § 200.1 will be provided with effective, timely additional support, including measures to –

- (1) Ensure that those students' difficulties are identified on a timely basis; and
- (2) Provide sufficient information on which to base effective assistance to those students.
.. ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement. Noncompliance with the grant agreement and the schoolwide programs requirements could have resulted in the loss of funds to the School Corporation.

Questioned Costs

There were no question costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

Views of Responsible Officials

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



Elwood Community School Corporation

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Elwood, IN 46036
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Dr. Casey Smitherman
Superintendent

Dr. Joe Brown
Assistant Superintendent

Mrs. Joa Griffith
Business Manager/Treasurer

The Hope of Our Country

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Mrs. Joa Griffith, Corporation Treasurer
Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation is in agreement with this Finding.

Description of Corrective Action Plan

This Finding is a repeat Finding that had a Corrective Action Plan. The previous Corrective Action Plan, however, did not eliminate errors on the SEFA report. The Superintendent will continue to review the report and initial off showing dual control and a second person will be included in the final review.

Regarding the Child Nutrition Cluster error, this information is always provided for entry by the Food Service Director, after they balance fiscal year end. The Corporation Treasurer will verify that Commodities are including in the totals being reported.

The over and understated amounts resulted from typographic error, which at a glance should have been caught. The Title 1 error was transposing the CFDA number which associated the Title 1 grant as a different grant.

Number 4 on this Finding regarding the Social Security Disability Insurance being left off the report was because the Corporation Treasurer did not realize these monies were Federal monies therefore did not report them on the report. These dollars will be reported on future reports.

Overall, the corrective action plan for Finding 2016-001 will be better cross checking of the SEFA report and the hard copy of the report will be initialed off by all parties.

Anticipated Completion Date: Procedures have been implemented to detect and correct errors before submitting the final SEFA report

FINDING 2016-002

Contact Person Responsible for Corrective Action: Mrs. Joa Griffith, Corporation Treasurer
Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation is in agreement with this Finding.

Description of Corrective Action Plan

This is a repeat finding, 2014-002. The current method in place for receipting in receipts was suggested by a previous SBOA Auditor, still today we use the method suggested at that time. The corrective action plan then was to set up a solo receipt station with a computer and software license so the employee receiving the collection of monies would not have to clear their workstation screen to receipt in the receipt on demand.

The corrective action plan did not happen due to the overall cost to the corporation during a time that our budget was very lean.

After researching the number of times monies comes in directly to the corporation office and discovering the number was minimal the decision was made to not take on the added expense of a solo receipt station. In 2018 to date there have been two times monies have come directly into the corporation and a receipt book was used. February and September. All other monies come either ACH or through the mail which are logged on our log report and receipted in during monthly processing.

The corrective action plan that will be implemented immediately will be to receipt in the monies at time of receipt at the corporation office. With less than 5 direct monies flowing into the corporation over the course of a year it is not feasible to spend the money to buy an additional license from the software company to create a solo receipt station.

Anticipated Completion Date: Immediately receipts will be printed at time money is received directly at the central office.

Komputrol will be contacted to assist in why some funds are being combined on the Biannual Financial Report. This will be corrected before year end (2018) so the report will reflect each individual fund.

The final, end of month Fund Reports will reflect the report is the final report by putting that detail info on the top of the report. Also to eliminate confusion since several postings may take place at the end of the month is to keep only the Final Fund Report in the file folder. This corrective action plan has begun.

FINDING 2016-003

Contact Person Responsible for Corrective Action: Mrs. Joa Griffith, Corporation Treasurer
Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan

The practice to charge utility expenses to our 3 cafeterias has been a long standing practice originally suggested by the Superintendent and approved by the Governing Body many years back before Indirect Costs was ever developed to be implemented. This practice has gone through several audits without comment or finding. That being said the many years it's been in practice and never being an audit comment the practice was on-going.

In May of 2018 the DOE did an on-sight audit of our cafeteria and it was at that time we were sited with an audit finding. The Corporation refunded one year of charges from the General Fund to the Cafeteria Fund as the audit requested before June 30, 2018.

Anticipated Completion Date: The Corrective Action Plan to stop charging a utility fee to the cafeterias was implemented immediately after the onsite IDOE audit.

FINDING 2016-004

Contact Person Responsible for Corrective Action: Mrs. Joa Griffith, Corporation Treasurer
Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation understands the Finding, however the Corporation and Corporation Treasurer are not in full agreement with the Finding. Proper time was charged to the proper fund through a time keeping system for the before school program aides.

Description of Corrective Action Plan

In an effort to upgrade our cafeteria software system to offer online deposits and provide proper reports to maintain student balances the Corporation Treasurer worked several hours with the Food Service Director to research software companies, including trips to view software on site at other schools.

There were objectives that both the Food Service Director had and the Corporation Treasurer in researching for the right software that would assure compliance, reporting, and student balances. With the number of hours being put into this project with the Food Service Director it was a decision of the Superintendent to charge 10% of her salary to the food service account. This was a Superintendent and Governing Body decision to properly allocate salary expenses.

It was never a consideration of the Superintendent & Governing Body that a Time and Effort log would need to be maintained since the food service account is an internal account therefore, their Home Rule authority to approve the 10% salary charges of the Corporation Treasurer to the cafeteria fund during this project.

Once the upgraded process was completed the corporation treasurer's salary was 100% restored back to the General Fund.

Also included in this Finding was Title 1 aides that were paid from the Cafeteria Fund and Title 1 Fund. These aides were supervising students dropped off before the school day began and was served breakfast in the cafeteria. This being a before school day program the Aides clocked in using KTime system under their cafeteria appropriation line. Once the early morning program ended and the students went to their homeroom class the Aides clocked out of KTime and clocked back in under their Title 1 appropriation line.

Anticipated Completion Date: Salary was previously restored back to the General Fund 100%. The before school program is no longer an active program eliminating Aides being paid from cafeteria funds.

FINDING 2016-005

Contact Person Responsible for Corrective Action: Mrs. Roxie Fred, Food Service Director

Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan

This Finding is under our previous Food Service Director. The current Food Service Director will immediately implement adequate policies and procedures to ensure proper eligibility determinations were made for students prior to providing benefits and maintain those records.

Anticipated Completion Date: Our current Food Service Director is aware of this finding and will maintain a file for future audits starting immediately

FINDING 2016-006

Contact Person Responsible for Corrective Action: Mrs. Roxie Fred, Food Service Director
Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding

Description of Corrective Action Plan: The Food Service Director will develop adequate procedures to ensure compliance with the requirements to maintain records of equipment purchased with Federal Funds and perform a physical inventory of said equipment. Detailed lists will include source of funding, acquisition date and cost, location, and other details as required.
The current Food Service Director has been made aware of this Finding and the requirement to keep equipment lists for future audits.

Anticipated Completion Date: Immediately, the current Food Service Director has been made aware of the need to keep complete inventory lists of equipment purchased and sold.

FINDING 2016-007

Contact Person Responsible for Corrective Action: Mrs. Roxie Fred, Food Service Director
Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan:

Our policies are updated to maintain compliance through NEOLA, which is a company that services several school districts in maintaining school-wide compliance. However, in this Finding an effective internal control system was not in place in order to ensure compliance with requirements related to the grant agreement and Procurement & Suspension & Debarment compliance requirement.

The corrective action plan for this Finding will be the Food Service Director and Superintendent will work together and review the procurement standards as noted to become compliant.

Anticipated Completion Date: Efforts will begin immediately to review the procurement standards as noted in this Finding to become compliant.

FINDING 2016-008

Contact Person Responsible for Corrective Action: Mrs. Roxie Fred, Food Service Director
Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan

Fund 0800 is established for all cafeterias and receipts are broken down by building level and separate State and Federal receipt numbers are also broken down within the Fund. The Finding addresses using Fund 8400 to track Prepayments. Within Fund 0800 Prepayments were tracked with its own receipt number by building.

With the need to upgrade the cafeteria software the decision was made to wait to open and activate Fund 8400. This decision was made by the Superintendent and the Food Service Director. The decision to maintain the current practice until an upgraded software could be purchased was in hopes to eliminate errors in the transition process and to protect the student records.

Upgraded software has been purchased and Fund 8400 was established and is balanced monthly.

Anticipated Completion Date. Fund 8400 was activated and receipts are receipted in daily and the Fund is balanced monthly to the Corporation Fund Report.

FINDING 2016-009

Contact Person Responsible for Corrective Action: Mrs. Roxie Fred, Food Service Director
Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan

This Finding is under a previous Food Service Director. To ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement the current Food Service Director will prepare the monthly Sponsor Claims and the cafeteria manager will review and sign off of the report to eliminate errors in reporting.

Anticipated Completion Date: The current Food Service Director has been made aware of this finding and will maintain files which will be dual controlled with the verification process for future audits.

FINDING 2016-0010

Contact Person Responsible for Corrective Action: Mrs. Roxie Fred, Food Service Director

Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan

The current Food Service Director has been made aware of this Finding and will ensure compliance by having reports reviewed and signed off providing record of dual control by a cafeteria manager.

Anticipated Completion Date: Immediately, the Food Service Director will have her cafeteria manager review reports and initial verifying a dual control process has been implemented before submission.

FINDING 2016-011

Contact Person Responsible for Corrective Action: Dr. Joe Brown, Assistant Superintendent, and Grant Director and Mrs. Joa Griffith Corporation Treasurer
Contact Phone Number: 765-552-9861 ext. 1051 or ext. 1063

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan

The Title 1 Reimbursement Request form is an online form with direct submission. The Title 1 reimbursement form does not follow the same format as other Federal Grants which require you to print the reimbursement form out for preparer/approver signatures before submitting the reimbursement.

Reimbursement forms were not signed off by the Grant Director showing approval for reimbursement

Corrective action for this Finding is to have all Title 1 Federal Grants signed off by the preparer and the approver.

Regarding the missing documentation for three of the fourteen students tested for the mobility reporting all efforts by the current Grant Director to ensure files are complete with all documentation required including the Withdrawal/Transfer form with parent signature.

Anticipated Completion Date. This practice has already begun.

FINDING 2016-012

Contact Person Responsible for Corrective Action: Dr. Joe Brown, Assistant Superintendent; Grant Director and Mrs. Joa Griffith, Corporation Treasurer
Contact Phone Number: 765-552-9861 ext. 1051 or 1063

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding

Description of Corrective Action Plan

The Title 1 Reimbursement Request form is an online form with direct submission. The Title 1 reimbursement form does not follow the same format as other Federal Grants which require you to print the reimbursement form out for preparer/approver signatures before submitting the reimbursement.

Reimbursement forms were not signed off by the Grant Director showing approval for reimbursement
Corrective action for this Finding is to have all Title 1 Federal Grants signed off by the preparer and the approver.

Anticipated Completion Date. This practice has already been instituted

The rate of pay for the bus driver showing on the Reimbursement Request was not in our employee handbook, therefore was considered unverifiable.

Anticipated Completion Date: Non-Certified staff received a salary increase effective August 2018 and the Classified handbook will be updated and will include the Bus Driver's route pay.

The Title 1 Directors Time and Effort logs did not match when compared to the salary percentage approved by the grant on the two months tested.

When a grant approves a percentage for salary for any employee it is at the beginning of the grant period that this percentage is set up in payroll. Months may differ due to the timing of payroll and when Time and Effort logs are submitted.

To eliminate the constant changing of percentage rate in payroll and reducing error or the possibility of over paying from a Federal Grant the corrective action will be to monitor the total percentage of time worked a few months before the grant ends and make any adjustments in distributing salary the remaining payrolls prior to grant end.

Anticipated Completion Date. This practice will begin immediately.

FINDING 2016-013

Contact Person Responsible for Corrective Action: Dr. Joe Brown, Assistant Superintendent; Grant Director
Contact Phone Number: 765-552-9861 ext. 1051

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action:

Previously, the Title 1 Director and the Superintendent of the school were located in different buildings which created poor communication with obtaining proper signatures for grant documents. With the beginning of the 2018-2019 school year the Grant Director relocated to the Central Office and he and the Superintendent are in the same building which will create better communication and less room for signature errors.

Procedures will be properly implemented with our Data Coordinator in maintaining student records used when applying for Federal Grants and with the Food Service Director in obtaining Free/Reduced student information.

Anticipated Completion Date. This practice has already begun.

FINDING 2016-014

Contact Person Responsible for Corrective Action: Mrs. Joa Griffith
Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation agrees with this Finding.

Description of Corrective Action Plan

The corrective action to sign off and initial Reimbursement Requests has been stated in several Findings and has been immediately implemented.

The Fund numbers being reported on the Biannual Financial Report are the Main Fund number category that are not separating into their sub categories. The monthly Fund report however, does reflect the Fund numbers separately in their sub-categories. To correct this from happening again and before the next Biannual Financial Report is generated the Corporation Treasurer will contact Komputrol Software Systems to assist in solving the problem with these Funds that are adding into the Header Fund and not staying separate.

The Grant Director and the Corporation Treasurer will do the Final Title 1 report together to assure expenditures are reported into the correct program numbers to eliminate future errors.

Anticipated Completion Date; This practice will begin immediately.

FINDING 2016-015

Contact Person Responsible for Corrective Action: Dr. Joe Brown, Assistant Superintendent, Grant Director
Contact Phone Number: 765-552-9861 ext. 1051

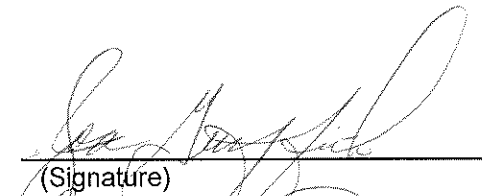
Views of Responsible Official: Elwood Community School Corporation agrees with this Finding

Description of Corrective Action Plan

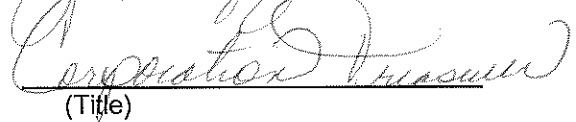
This Finding is under the previous Title 1 Director.

The current Title 1 Director has been made aware of this Finding and will ensure compliance with requirements and inspect School Improvement Plans to maintain compliance with goals and strategies.

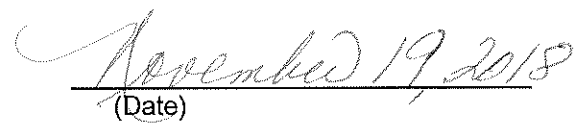
Anticipated Completion Date. This practice has begun.



(Signature)



(Title)



(Date)

ELWOOD COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID MEAL ACCOUNTS

A similar comment also appeared in prior Report B45374, entitled *ACCOUNTING FOR PREPAID FOOD RECEIPTS*.

Prepaid lunch receipts were not accounted for in a Prepaid Lunch Fund, fund 8400, a clearing account. Receipts were instead accounted for in the School Lunch fund, fund 800. The entire amount of prepaid lunch receipts were recognized in the School Lunch fund at the time of receipt as revenue and not as applied from the clearing account as students consumed their individual prepaid account balances. As a result, the subsidiary records of prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis by officials as required.

Money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

ERRORS ON CLAIMS

The following deficiencies were noted on claims tested during our audit period:

1. Of the claims tested, 80 percent were not approved by the fiscal officer until after the claims were paid.
2. All claims tested were not approved by the School Board until after the claims were paid.
3. One claim requested for testing could not be located and presented for audit.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

ELWOOD COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING

The School Corporation failed to adopt minimum internal control standards and procedures by June 30, 2016, as required. They also did not provide documentation of the required internal control training in a timely manner.

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

ELWOOD COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2018, with Joa Griffith, Treasurer, and Dr. Casey Smitherman, Superintendent of Schools.