

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

PERRY CENTRAL COMMUNITY
SCHOOL CORPORATION
PERRY COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
01/11/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherry Knieriem Sarah Briggeman	01-01-15 to 12-31-16 01-01-17 to 12-31-18
Superintendent of Schools	Mary Roberson	07-01-15 to 06-30-19
President of the School Board	Tim Edwards	01-01-15 to 12-31-18



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TO: THE OFFICIALS OF THE PERRY CENTRAL COMMUNITY
SCHOOL CORPORATION, PERRY COUNTY, INDIANA

This report is supplemental to our audit report of the Perry Central Community School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit 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 27, 2018

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

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

Repeat Finding

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

Condition

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

Context

The SEFA contained the following errors: commodities for the National School Lunch Program were not included; 3 grants had incorrect amounts reported; program titles were incorrect for 8 of the 11 grants; and pass-through entities were incorrect for all grants reported. In total, the SEFA was overstated by \$171,409.

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

Criteria

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

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

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

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

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

Recommendation

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

Views of Responsible Officials

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-002

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15/16, FY 16/17

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit, except as related to Special Tests and Provisions - School Food Accounts. The prior audit finding number was 2015-003.

Condition

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, to ensure compliance with requirements related to the following compliance requirements: Activities Allowed or Unallowed, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

Activities Allowed or Unallowed

An effective internal control system was not in place to ensure all transactions that were paid from and recorded in the School Lunch fund were related to the operation of the school food service program. There was no segregation of duties, such as an oversight, review, or approval process to ensure expenditures were for allowable activities.

Eligibility

An effective internal control system was not in place to ensure that all determinations of eligibility were calculated correctly. There was no segregation of duties, such as an oversight, review, or approval process to ensure the information was correctly entered into the system.

Reporting

An effective internal control system was not in place to ensure that the Monthly Sponsor Claims for Reimbursement, Annual Financial Report, and Verification Summary were accurately prepared and submitted. There was no segregation of duties, such as an oversight, review, or approval process.

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

An effective internal control system was not in place to ensure that verification of free and reduced price applications was completed as required and that the supporting documentation of the verification process was retained and available for audit. There was no segregation of duties, such as an oversight, review, or approval process.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - School Food Accounts

An effective internal control system was not in place to ensure that the file folders containing the Sponsor Claims with attached Meals Served Reports for the 2015-2016 and 2016-2017 school years were reviewed. There was no segregation of duties, such as an oversight, review, or approval process to ensure revenue and expenditures are accurately recorded and reported.

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

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

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(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, including segregation of duties, that would have ensured that the School Corporation complied with the compliance requirements listed above.

Effect

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15/16, FY 16/17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

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

The School Corporation did not maintain the necessary documentation to support the employees' salaries and wages charged to the federal programs. For those employees that were paid entirely from the School Breakfast Program and National School Lunch Program (school food service programs), timesheets were being maintained. However, from July 1, 2015 to February 28, 2016, there was no signature of the employee or their immediate supervisor certifying that the work was performed by the employee. No other periodic certifications that the employees worked solely on that program for the audit period were maintained.

There were two employees that had a portion of their wages paid from the school food service programs. There was no documentation to support the portion of the School Corporation Secretary's wages that was charged to the program for both school years. There was no documentation to support the portion of the Extracurricular Treasurer's wages that was charged to the program until July 2016. Personnel activity reports were not being maintained for these employees for the undocumented time periods.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance related to timesheets was a systemic issue from July 1, 2015 to February 28, 2016. The lack of controls and noncompliance related to the proration of salaries was a systemic issue during school year 2015-2016 and through July 2016.

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 A-87, Attachment B, section 8h, states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets 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,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (a) They must reflect an after-the-fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,
- (c) They must be prepared at least monthly and must coincide with one or more pay periods, and
- (d) They must be signed by the employee. . . ."

2 CFR 200.430(i) states in part:

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

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-004

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15/16, FY 16/17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

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 compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures. There was no oversight, review, or monitoring of the cash balances.

The School Corporation's cash balance (net cash resources) exceeded the 3 months average expenditures every month of school years 2015-2016 and 2016-2017.

Context

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

Criteria

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

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

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). . . ."

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(b) states: "*Net cash resources*. The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation's management had not designed or implemented an effective internal control system that would have ensured compliance with the cash management requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15/16, FY 16/17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-008.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

Procurement

The School Corporation had not established an effective internal control system to ensure compliance with procurement requirements. There were no controls in place to ensure that that appropriate procurement methods were used.

Suspension and Debarment

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

The School Corporation did not perform any procedures to verify that vendors without contracts with purchases over \$25,000 in a school year were not suspended or debarred from participation in federal programs.

Context

The lack of controls was a systemic issue throughout the audit period. The lack of compliance with suspension and debarments requirements was also a systemic issue throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

(a) Checking SAM Exclusions; or

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(b) Collecting a certification from that person; or

(c) Adding a clause or condition to the covered transaction with that person."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2017-006

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-009.

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.

For the 2015-2016 school year, a single fund, the School Lunch fund, was used to account for all activity of the school food service program. There was no distinction between prepaid amounts and program income.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

For the 2016-2017 school year, the School Corporation established a Prepaid Lunch/Breakfast fund with all the school lunch receipts received to the fund, but no transfers were made during the 2016-2017 school year to the School Lunch fund for the school lunch income generated by students and adults.

Context

The lack of controls was a systemic issue throughout the audit period. The commingling of funds prevented the ability to determine the School Corporation's compliance with the program income requirements.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

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

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

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

7 CFR 220.7(e) states in part:

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

2 CFR 200.302(b)(3) states:

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

Cause

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

Effect

The failure to establish an effective internal control system and the commingling of prepaid receipts and program income receipts prevented the determination of the School Corporation's compliance with the program income requirements. Noncompliance with the grant agreement and the program income requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Program Income compliance requirement.

Views of Responsible Officials

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

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-007

Subject: Twenty-First Century Community Learning Centers - Period of Availability
Federal Agency: Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Numbers and Years (or Other Identifying Numbers): A58-5-15DL-0131, A58-5-15DL-2227
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Availability
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Period of Availability compliance requirement.

The School Corporation did not comply with the Period of Availability compliance requirement that all obligations for expenditures made from program funds were incurred within the period of performance. The obligation and payment of the claims did not occur within the period of performance for some transactions charged and recorded in the computerized accounting system.

Context

The grant agreement stated a period of availability of June 1, 2014 to May 31, 2015. There were two expenses charged on the School Corporation's credit card on June 3, 2015, totaling \$574, which were not incurred or expended during the period of availability.

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. . . ."

34 CFR 80.23(a) states:

"*General.* Where a funding period is specified, a grantee may charge to the award only costs resulting from obligations of the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period."

Cause

Management had not effectively implemented a system of internal controls to ensure compliance with the grant agreement and the Period of Availability compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Period of Availability compliance requirement.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Period of Availability compliance requirement.

Views of Responsible Officials

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

Corrective Action Plan for Audit Completed in November 2018 for 2015-2016 and 2016-2017

Finding 2017-001 Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Mary Roberson
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Treasurer will prepare the SEFA and assistant superintendent will review it to ensure it is accurate and complete.

Anticipated Completion Date: It was completed by the end of the 2017-2018 School year.

Finding 2017-002 Child Nutrition Cluster – Internal Controls

Contact Person Responsible for Corrective Action: Mary Roberson
Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Activities Allowed or Unallowed: The Accounts Payable Voucher will be attached to every disbursement claim and signed off by the individual approving purchases and the person documenting receipt.

Eligibility: An online application system is now being utilized so that parents enter their own data into the system. The online applications are verified by the ECA treasurer. The ECA treasurer and office clerk enter lunch applications into the system. Eligibility is verified by the ECA Treasurer. Following this process, a list is printed and reviewed by the superintendent to check for potential issues.

Reporting: Each month the ECA treasurer sends a report of account balances to the superintendent, principals, and all club sponsors. This allows for oversight of account income and expenditures. In addition, reports are submitted annually to the school board. In addition, monthly sponsor claims for

reimbursement, Annual Financial Report, and verification summaries are shared with the superintendent and initialed.

Verification of Applications: After the ECA treasurer makes determinations of free and reduced lunch applications, another office staff member does a random check of 10-20 applications per year and initialed for accuracy.

Paid Lunch Calculation – Each year the ECA treasurer calculates the amount to be paid by full pay students. This calculation is reviewed by the superintendent and approved by the school board.

Anticipated Completion Date: This was completed for 2017-2018 school year.

Finding 2017-003 Child Nutrition Cluster – Allowable Costs/Cost Principles

Contact Person Responsible for Corrective Action: Mary Roberson

Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Beginning with the 2016-2017 school year, cafeteria employees sign their timecards weekly, and the supervisor signed them to verify hours. Since then we have begun to utilize an electronic clock system that uses a thumbprint or unique password. At the end of the payroll period, the cafeteria manager signs off on all cafeteria workers' time, and the ECA Treasurer signs off on the cafeteria manager's time.

Time studies are conducted periodically (currently done 3 times per year) to insure that the percentage of salary paid from different accounts/funds are reflective of the work completed. The superintendent reviews the studies when they are completed, and the superintendent and treasurer review the time studies and make adjustments if needed semi-annually.

Anticipated Completion Date: This has already been resolved. It was resolved after the last audit, but since the prior audit occurred after this finding, it showed up as a repeat finding.

Finding 2017-004 Child Nutrition Cluster – Cash Management

Contact Person Responsible for Corrective Action: Mary Roberson

Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: A plan was submitted and approved by the School Lunch Program for use of funds. In the future, the superintendent will monitor to insure that internal controls are in place so that cash balance does not exceed allowable limit.

Anticipated Completion Date: Immediate

Finding 2017-005 Child Nutrition Cluster – Procurement and Suspension and Debarment

Contact Person Responsible for Corrective Action: Mary Roberson

Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning in July 2018 school year, contracts will be entered into with successful vendors and a statement added to contracts over \$25,000 that the company or individual is not suspended or disbarred from participation in federal programs.

Anticipated Completion Date: This issue has been addressed. The audit period occurred after this finding, but for a period not covered by the previous audit.

Finding 2017-006 Child Nutrition Cluster – Program Income

Contact Person Responsible for Corrective Action: Mary Roberson

Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Beginning in the 2016-2017 income is now broken down into categories in the ledger. Daily collection reports are printed and saved for audit. A pre-paid trust account has been established and is in use.

Anticipated Completion Date: This was completed by the end of the 2017-2018 school year.

Finding 2017-007 Twenty-First Century Community Centers – Period of Performance

Contact Person Responsible for Corrective Action: Mary Roberson

Contact Phone Number: 812-843-5576

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: This was an error on our part. We apologize for the error and have taken steps to insure that it will not occur again. We have a new treasurer, who closely adheres to grant procedures, and oversight is provided by our assistant superintendent.

Anticipated Completion Date: Immediate



(Signature)

Superintendent

(Title)

November 19, 2018

(Date)

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

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

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

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

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

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

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

PREPAID FOOD TRUST

A listing of student cash balances as of November 7, 2018, obtained from the cafeteria software reflected a prepaid food trust balance in the amount of \$(894.26). The balance in the Prepaid Food Trust Fund for the same date was \$49,725.17.

The prepaid food activity was accounted for within the School Lunch fund during the school year 2015-2016. A separate clearing account for the prepaid food trust activity had been established beginning with the school year of 2016-2017, but was not handled properly. All of the school lunch receipts were receipted to the Prepaid Food Trust Fund, but the income from the sale of student and adults meals was not transferred to the School Lunch fund.

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

A similar comment appeared in prior Report B46999.

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

COLLECTION OF AMOUNTS DUE

The School Corporation does not actively pursue collection of unpaid amounts due from parents. As of November 7, 2018, the School Corporation was owed an amount of \$24,748 for unpaid cafeteria charges. As of November 16, 2018, the School Corporation was owed an amount of \$32,998 for unpaid textbook rental charges.

A similar comment appeared in prior Report B46999.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1) (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Indiana Code 20-33-5-11(b) states:

"Notwithstanding subsection (a), a school corporation may take any action authorized by law to collect unpaid fee from parents who are determined to be ineligible for assistance, including recovery of reasonable attorney's fees and court costs in addition to a judgement award against those parents."

Perry Central Response to Audit Results from State Board of Accounts

Thank you for the opportunity to respond to the findings presented in the Audit Results and Findings. We extend our thanks to the audit team conducting this audit. We appreciate their diligence and professionalism. At Perry Central we are committed to holding the highest standards of integrity and following laws and procedures. As a public entity we understand that we are entrusted by the tax payers and are held to very high standards. Some of the issues are due to timing of audits. No findings represent negligence or misuse of funds. Listed below is a very brief response to each finding:

Training and Certification on Internal Control Standards – Although the training was held, we failed to properly document the training. We are continuing the annual training, and now also have systems in place for proper documentation.

Prepaid Trust Fund – We have created and are properly using a Prepaid Trust Fund as part of our school lunch fund. Because of the busy schedule of the State Board of Accounts, audits were delayed. We created the Prepaid Trust Fund after the last audit, but because of the delay in audits, it showed up as an issue again.

Collection of Amounts Due – Perry Central DOES actively pursue unpaid account balances. We enlist a variety of methods including phone calls and letters. The board has adopted a policy, and the practice has begun that provides an alternate lunch for any student with \$5 or more of debt, so that the debt will not accumulate. We also have set up a donation fund for families who cannot make payments. We will continue to pursue collections, but no additional debt will accumulate with the new policy in place.

Respectfully submitted



Mary Roberson
Superintendent
12-10-2018

PERRY CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 27, 2018, with Mary Roberson, Superintendent of Schools; Sarah Briggeman, Treasurer; Glenn Etienne, School Board member; Nan Dupont, School Board member; Tara Bishop, Assistant Superintendent of Schools; and Lora Hubert, Extracurricular Account Treasurer.