

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NOBLESVILLE SCHOOLS

HAMILTON COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
01/18/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Terry Rich Robin Phelps | 07-01-15 to 07-22-15 07-23-15 to 06-30-19 |
| Superintendent of Schools | Beth Niedermeyer | 07-01-15 to 06-30-19 |
| President of the School Board | Donna Clark Julia Kozicki Kevin Kalstad | 07-01-15 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NOBLESVILLE SCHOOLS, HAMILTON COUNTY, INDIANA

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

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

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

November 30, 2018

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS

FINDING 2017-001

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): FY15/16, FY16/17
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 report. The prior audit finding number was 2015-002.

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 failed to comply with the Cash Management requirement that they limit their net cash resources in the School Lunch fund to the average of the food service expenditures for three months. The School Corporation maintained an excess cash balance in 23 of the 24 months during the audit period.

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). . . ."

NOBLESVILLE SCHOOLS
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

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management 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 Cash Management 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 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 2017-002

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15/16, FY16/17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Condition

Income guidelines used by the software system were not reviewed prior to the software system making eligibility determinations. Eligibility determinations were made by one employee without a documented oversight, review, or approval process.

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue, which occurred throughout the audit period; however, the School Corporation addressed this by implementing a documented review process in the 2017-2018 school year.

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 Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance 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.

Views of Responsible Officials

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

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2017-003

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): FY15/16, FY16/17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not designed or implemented adequate policies and procedures to ensure only earned income was receipted into the food service fund during the audit period. The School Corporation maintains a separate bank account for all food service collections, which were transferred to the food service fund in total in the subsequent month. The School Corporation also did not utilize a prepaid food service fund in order to separate the unearned collections from the earned income from meals served.

Context

The lack of controls and noncompliance were systematic 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). . . ."

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."

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 225.6(e) states in part:

"State-Sponsor Agreement. A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Program Income 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 Program Income 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 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 2017-004

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

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The School Corporation was also the fiscal agent of the Cooperative. During the fiscal year 2015-2016, as the fiscal agent of the Cooperative, the School Corporation spent the federal money on behalf of all its members and there was no oversight performed by the School Corporation of the costs incurred by the Cooperative.

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

For grants 14214-025-PN01, 14215-025-PN01, and 45715-025-PN01, the Semi-Annual Certifications were maintained; however, they were not certified by the employee or an appropriate supervisor. There were no personnel activity reports maintained for employees who were expected to work on multiple cost objectives.

For grants 14216-023-PN01 and 45716-023-PN01, the fiscal agent was not able to provide records that would support the activities performed by the employees whose salaries were charged to the grant.

Context

No oversight was performed by the School Corporation of the costs incurred by the Cooperative during the 2015-2016 fiscal year

Of the three Semi-Annual Certifications required to be maintained during the period for all employees whose salaries were charged entirely to the program, none were certified by an appropriate supervisor. In addition, there were also six employees who worked on multiple activities, but no personnel activity reports were maintained for those employees. There was no supporting documentation for activities performed by employees for these two grants. These deficiencies were only related to the fiscal year 2015-2016.

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.

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

(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:

- (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(h)(8)(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; . . .
- (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 of the School Corporation had not designed or implemented internal control procedures to ensure compliance with the Allowable Costs/Cost Principles compliance requirement during fiscal year 2015-2016.

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the Cooperative and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within the internal control system allowed noncompliance with the compliance requirement and could have 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, including segregation of duties, related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

FINDING 2017-005

Subject: Special Education Cluster (IDEA) - Cash Management

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The School Corporation was also the fiscal agent of the Cooperative. During the fiscal year 2015-2016, as the fiscal agent of the Cooperative, the School Corporation spent the federal money on behalf of all its members and there was inadequate oversight performed by the School Corporation of the cash management practices of the Cooperative.

The Requests for Reimbursement forms submitted to the Indiana Department of Education requesting reimbursement for disbursements made by the Cooperative were reviewed by the Cooperative Director; however, the Reimbursement Forms contained claims that had been incurred but not paid.

Context

All five Requests for Reimbursement forms tested in fiscal year 2015-2016 contained expenditures incurred but not yet paid.

NOBLESVILLE SCHOOLS
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). . . ."

34 CFR 80.21(d) states in part: "Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

2 CFR 200.305(b)(3) states in part: "Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

Cause

Management of the School Corporation had not designed or implemented effective internal control procedures to ensure compliance with the Cash Management compliance requirement during fiscal year 2015-2016.

Effect

The failure to establish an effective internal control system placed the Cooperative and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within the internal control system allowed noncompliance with the compliance requirement and could have 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

The noncompliance identified in the sample selected for testing resulted in \$12,966 of expenditures being requested for reimbursement prior to being paid.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the Cash Management compliance requirement.

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2017-006

Subject: Special Education Cluster (IDEA) - Equipment and Real Property Management
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The School Corporation was also the fiscal agent of the Cooperative. During the fiscal year 2015-2016, as the fiscal agent of the Cooperative, the School Corporation spent the federal money on behalf of all its members and there was inadequate oversight performed by the School Corporation of the equipment inventory maintained by the Cooperative. The equipment inventory listing, maintained by the Cooperative, did not contain all the required information, such as acquisition cost, disposal date, and the sale price of the property, if sold.

Context

The equipment inventory listing did not contain the acquisition cost for any of the equipment listed for the fiscal year 2015-2016.

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). . . ."

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

34 CFR 80.32 states in part:

". . . (b) *States*. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures. Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . .

(d) *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 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section. . . .

(d) *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. . . ."

Cause

Management of the School Corporation had not designed or implemented effective internal control procedures to ensure compliance with the Equipment and Real Property Management compliance requirement during fiscal year 2015-2016.

Effect

The failure to establish an effective internal control system placed the Cooperative and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within the internal control system allowed noncompliance with the compliance requirement and could have 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.

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish effective controls, including segregation of duties, related to the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-007

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers (or Other Identifying Numbers): 14214-025-PN01, 14215-025-PN01,
14216-023-PN01, 45715-025-PN01,
45716-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The School Corporation was also the fiscal agent of the Cooperative. During the fiscal year 2015-2016, as the fiscal agent of the Cooperative, the School Corporation spent the federal money on behalf of all its members and there was inadequate oversight performed by the School Corporation of the reports submitted by the Cooperative. An effective internal control system was not in place at the School Corporation and at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The Requests for Reimbursement forms and the Quarterly Monitoring Reports for Proportionate Share were reviewed by the Cooperative Director; however, the Requests for Reimbursement forms and the Quarterly Monitoring Reports for Proportionate Shares contained amounts that had been incurred, but not paid.

Context

The Request for Reimbursement forms and Quarterly Monitoring Reports for Proportionate Shares contained claims that had been incurred, but not yet paid, for the fiscal year 2015-2016.

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. . . ."

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 80.20(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. If a Federal awarding agency requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient must not be required to establish an accrual accounting system. This recipient may develop accrual data for its reports on the basis of an analysis of the documentation on hand. Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of the documentation on hand.
- (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 source documentation. . . ."

Cause

Management of the School Corporation had not designed or implemented effective internal control procedures to ensure compliance with the Reporting compliance requirement.

NOBLESVILLE SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the Cooperative and, therefore, the School Corporation, in noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within the internal control system allowed noncompliance with the compliance requirement and could have 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 effective controls, including segregation of duties, related to the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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



NOBLESVILLE SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Robin Phelps, CFO
Contact Phone Number: 317/773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The district recognizes the cash balance in the Food Services' account is in excess of the federal regulations for the 15/16 fiscal year. Salaries of food service employees has been adjusted up to help with attracting and retaining food service employees. Equipment needed in the kitchen has been purchased from the Food Services account. These actions minimized the cash balance in this account to put it in compliance in the 17/18 fiscal year. Also, a cash balance spreadsheet will be maintained to monitor the cash balances balance each month to ensure compliance.

Anticipated Completion Date:

The correction action process began to occur in the 16/17 fiscal year.



(Signature)

CFO
(Title)

11/30/2018
(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Robin Phelps, CFO
Contact Phone Number: 317/773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

When a paper application is received, a Noblesville School employee will manually input the Free and Reduced Lunch applications into a computer program. This employee will then initial and date the original application indicating that the application has been processed. A second review, on a test basis, will be performed of Free and Reduced Lunch applications each year. The second review will be completed and initialed by a school employee other than the original approver. The second reviewer will review 10% of the paper applications that are received by the school.

Anticipated Completion Date:

This correction was completed in the 17/18 fiscal year.



(Signature)

CFO

(Title)

11/30/2018

(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Robin Phelps
Contact Phone Number: 317/773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

A Pre-Paid Fund was established 7/1/17. All prepaid food services funds are maintained in this fund until utilized at which time they are transferred to show as earned program income.

Anticipated Completion Date:

This finding was corrected in the 17/18 fiscal year.



(Signature)

CFO
(Title)

11/30/2018
(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Robin Phelps, CFO
Contact Phone Number: 317/773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The certifications were certified by an appropriate supervisor beginning with the 17/18 fiscal year.

Anticipated Completion Date:

This finding was corrected in the 17/18 fiscal year.



(Signature)

CFO
(Title)

11/30/2018
(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Robin Phelps, CFO

Contact Phone Number: 317/773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Beginning with the 17/18 fiscal year, only actual expenditures paid have been included on the requests for reimbursement.

Anticipated Completion Date:

This finding was corrected in the 17/18 fiscal year.



(Signature)

CFO

(Title)

11/30/2018

(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Robin Phelps, CFO

Contact Phone Number: 317/773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Beginning with the 17/18 fiscal year, the equipment inventory listing contains the acquisition cost and all other required information.

Anticipated Completion Date:

This finding was corrected in the 17/18 fiscal year.



(Signature)

CFO
(Title)

11/30/2018
(Date)

CORRECTIVE ACTION PLAN

FINDING 2017-007

Contact Person Responsible for Corrective Action: Robin Phelps, CFO
Contact Phone Number: 317/773-3171

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We are no longer requesting reimbursements for expenditures encumbered but not yet expended; therefore, the Quarterly Monitoring Reports will not contain expenditures that have not yet occurred.

Anticipated Completion Date:

This finding was corrected in the 17/18 fiscal year.



(Signature)

CFO
(Title)

11/30/2018
(Date)

NOBLESVILLE SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on November 30, 2018, with Robin Phelps, Treasurer; Linda Jones, Deputy Treasurer; Beth Niedermeyer, Superintendent of Schools; Kevin Kalstad, President of the School Board; Julia Kozicki, School Board member; and Carl Johnson, Vice President of the School Board.