

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

HAMILTON SOUTHEASTERN 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	Michael Reuter	07-01-15 to 12-31-18
Superintendent of Schools	Dr. Allen Bourff	07-01-15 to 12-31-18
President of the School Board	Karen Harmer Matthew Burke	01-01-16 to 12-31-16 01-01-17 to 12-31-18



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE HAMILTON SOUTHEASTERN SCHOOLS, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Hamilton Southeastern 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/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

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

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

November 29, 2018

HAMILTON SOUTHEASTERN SCHOOLS  
FEDERAL FINDINGS

***FINDING 2017-001***

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

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): 3005

Pass-Through Entity: Indiana Department of Education

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

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, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity, and Special Tests and Provisions - School Food Accounts compliance requirements.

*Cash Management*

No documented analyses or reviews of cash balances and cash activities were available for audit that would ensure that the cash balances that relate to the cash management requirement were monitored and evaluated for compliance.

*Eligibility*

There was no documented control to ensure that the eligibility parameters entered into the computer system for eligibility determination were correct. Eligibility parameters were entered into the system by one employee without oversight or review of the information entered.

*Reporting*

The Annual Financial Reports, monthly Sponsor Claims, and School Food Authority Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Paid Lunch Equity*

The Food Service Director completed the verifications of free and reduced price applications and performed the calculations for paid lunch equity without a documented and effective oversight, review, or approval process to ensure the accuracy.

HAMILTON SOUTHEASTERN SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Special Test and Provision - School Food Accounts*

There were no documented controls to ensure that the correct receipts and disbursements were recorded in the School Lunch fund.

*Context*

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

*Criteria*

OMB Circular A-133, Subpart C(1), 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, to ensure compliance with the grant and the Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity, and Special Tests and Provisions - School Food Accounts compliance requirements.

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

*Questioned Costs*

There were no questioned costs identified.

HAMILTON SOUTHEASTERN SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity, and Special Tests and Provisions - School Food Accounts 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 2017-002**

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 and Years (or Other Identifying Numbers): 99914-130-TA01, 14215-130-PN01,  
14216-130-PN01, 14217-098-PN01,  
45716-130-PN01, 45717-098-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

*Condition*

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

Effective internal controls were not established to ensure the accuracy of two of the three Data Collection Reports - Termination Report and Disciplinary (Expulsion and Suspension) Report. The Termination Report and Disciplinary (Expulsion and Suspension) Report were prepared and submitted by one employee with no review or approval to ensure their accuracy.

*Context*

The lack of an effective internal control system related to the Reporting compliance requirement was isolated to the two Data Collection Reports.

*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. . . ."

HAMILTON SOUTHEASTERN 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). . . ."

*Cause*

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

*Views of Responsible Officials*

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

**FINDING 2017-003**

Subject: Special Education Cluster (IDEA) - Procurement

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-130-PN01, 14216-130-PN01,  
14217-098-PN01, 45716-130-PN01,  
45717-098-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

HAMILTON SOUTHEASTERN SCHOOLS  
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 procurement requirements.

The School Corporation did not have controls in place to ensure their purchasing policy complied with applicable state and local requirements or that it complied with federal compliance guidelines as addressed in 2 CFR 200.318.

The School Corporation's procurement policy did not address the methods of procurement required by 2 CFR 200.320. The policy did not include the procedures for each method of procurement (micro purchase, small purchase, or sealed bid), and the thresholds for each method as follows:

Procurement Method Dollar Amount

Micro-Purchase:	Less than \$3,500
Small Purchase:	\$3,500 or greater, but less than \$150,000
Exceeds Simplified Acquisition:	\$150,000 or greater

The School Corporation did not obtain an adequate number of price or rate quotes for small purchases exceeding \$3,500.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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. . . ."

HAMILTON SOUTHEASTERN SCHOOLS  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.320 states in part:

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

(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. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment 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 Procurement and Suspension and Debarment 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 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.



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## CORRECTIVE ACTION PLAN

Contact Person Responsible for Corrective Action: Michael A Reuter  
Contact Phone Number: 317-594-4100

We concur with the findings:

### ***FINDING 2017-001***

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

#### ***Views of Responsible Officials:***

**The Food Service Department will establish the following controls in response to finding 2017-001:**

#### ***Cash Management:***

Per Net Cash Resources requirements, a cash balance monitoring form will be utilized to document analysis and review of the cash balance for the Food Service Department. The Food Service Administrative Assistant will prepare and date the form and the Director of Food Service will review the form then sign and date.

#### ***Eligibility:***

A form will be developed to document the review of the eligibility parameters entered into the computer system for eligibility determination. The Assistant Director of Food Service will do the initial review and the Director of Food Service will complete the final approval with the newly developed form.

#### ***Reporting:***

##### ***Annual Financial Report-***

The Accounting Supervisor will provide the accounting information necessary to complete the Annual Financial Report to the Assistant Director and Director of Food Service. The Assistant Director of Food Service will input the information into the Annual Financial Report and the Director of Food Service will review the reported information for final approval. A report will be printed and the Assistant Director of Food Service will sign and date as *prepared by* and the Director of Food Service will sign and date as *approved by* to document the internal review and approval.



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*Monthly Sponsor Claim-*

The Food Service Administrative Assistant will prepare the monthly sponsor claim, the Director of Food Service will review and complete the final submission. The summary report will be printed and the Food Service Administrative Assistant will sign and date as *prepared by* and the Director of Food Service will sign and date as *approved by* to document internal review and approval.

*School Food Authority Verification Collection Report:*

The Assistant Director of Food Service will prepare and input the Verification collection report and the Director of Food Service will review the reported information and complete the final submission. The summary page will be printed and the Assistant Director of Food Service will sign and date as *prepared by* and the Director of Food Service will sign and date as *approved by* to document internal review and approval.

*Special Tests and Provisions-Verification of Free and Reduced Price Applications (NSLP) and Paid Lunch Equity:*

*Verification of Free and Reduced Price Applications-*

The Assistant Director of Food Service and the Director of Food Service will both review the applications chosen for verification and initial, documenting calculations were reviewed and are accurate.

*Paid Lunch Equity-*

The Paid Lunch Equity calculator will be prepared by the Assistant Director of Food Service then reviewed by the Director of Food Service to ensure the calculations are accurate. A printed copy of the final calculations will be signed and dated by the Assistant Director of Food Service as *prepared by* and the Director of Food Service as *approved by*.

*Special Tests and Provisions-School Food Accounts*

The Accounting Supervisor will provide a receipt to the Food Service Administrative Assistant documenting the monthly reimbursement funds that have been deposited into the Food Service account. The Director of Food Service will compare the receipt to the monthly claim report and initial and date the receipt to ensure that the correct amounts were received and recorded. The initialed/dated receipt will be filed with the monthly claim report.

**FINDING 2017-002**

Subject: Special Education Cluster (IDEA) - Reporting



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*Views of Responsible Officials:*

**The Special Education Department will establish the following controls in response to finding 2017-002:**

This will apply to all data reports. The data required for each report will be pulled from the student management system by the HSE Data Analyst staff. These reports will be forwarded to the appropriate building level administrator(s) and/or Central Office administrator(s) for review and approval. A form will be developed for signature to confirm review and approval of the data included in each report. The appropriate administrator will sign off on the form and return it to the Data Analyst staff. Once this signed form is received, the Data Analyst staff will submit the report as required. The signature form will be preserved with the data report.

***FINDING 2017-003***

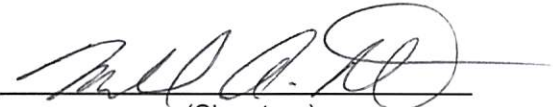
Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

*Views of Responsible Officials:*

**The Special Education Department will establish the following controls in response to finding 2017-003:**

The Department of Exceptional Learners (Special Education) has developed a form that will be used by teachers requesting orders for items or services totaling \$3,500 or more in a school year. The form, along with quotes and any other applicable details, will be attached to the order requisition, which will then be submitted to the Director of Exceptional Learners for approval. Once approved by the Director, the quotes from non-winning and winning vendors will be retained by the Department of Exceptional Learners. The selected quote will be attached to the order information that is submitted to accounting to generate a purchase order.

Anticipated Completion Date: November 29, 2018.

  
\_\_\_\_\_  
(Signature)  
CFO  
\_\_\_\_\_  
(Title)  
November 29, 2018  
\_\_\_\_\_  
(Date)

HAMILTON SOUTHEASTERN SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on November 29, 2018, with Matthew Burke, President of the School Board; Dr. Allen Bourff, Superintendent of Schools; Sylvia Shepler, Vice President of the School Board; Michael Reuter, Treasurer; Andria Ray, Food Service Director; Cecilie Nunn, Director of Business; and Mike Bottorff, School Board member.