

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

JAC-CEN-DEL COMMUNITY
SCHOOL CORPORATION
RIPLEY COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
01/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Trina Huff	07-01-14 to 12-31-18
Superintendent of Schools	William Narwold Timothy Taylor Travis Rohrig	07-01-14 to 12-31-14 01-01-15 to 06-30-18 07-01-18 to 12-31-18
President of the School Board	William Travis Neal	01-01-14 to 12-31-18



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TO: THE OFFICIALS OF THE JAC-CEN-DEL COMMUNITY SCHOOL
CORPORATION, RIPLEY COUNTY, INDIANA

This report is supplemental to our audit report of the Jac-Cen-Del Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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/.

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. 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, incorporated within this report, was not verified for accuracy.

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

December 3, 2018

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

Repeat Finding

This is a repeat of Finding 2014-001 from the immediately prior audit.

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 Treasurer prepared and submitted the federal award information with no documented control in place, such as an oversight, review, or approval process, to ensure the accuracy of the information prior to submission.

Context

The SEFA contained the following errors:

1. The Child Nutrition Cluster was understated by \$35,120 and \$41,707 for the school years ended June 30, 2015 and 2016, respectively.
2. The Special Education Cluster (IDEA) was understated by \$111,040 and \$48,779 for the school years ended June 30, 2015 and 2016, respectively.
3. The Title I Grants to Local Educational Agencies program was understated by \$15,310 and \$27,986 for the school years ended June 30, 2015 and 2016, respectively.
4. The Improving Teacher Quality State Grants program was understated by \$37,764 for the school year ended June 30, 2016.

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. . . ."

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

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

Recommendation

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-002

Subject: Child Nutrition Cluster - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program, School Breakfast Program
CFDA Numbers: 10.555, 10.553
Federal Award Numbers and Years (or Other Identifying Numbers): 69-6900, FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2014-004 from the immediately prior audit.

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 Treasurer reviewed the School Lunch fund cash balance monthly, but there was no oversight or review process to ensure compliance with Cash Management requirements. The failure to establish an effective internal control system allowed noncompliance with the requirements.

The School Corporation maintained a cash balance in the School Lunch fund in excess of federal regulations. The average three month expenditures of the School Corporation for the School Lunch fund for fiscal year 2015 and fiscal year 2016 were \$148,837 and \$171,984, respectively. The month-end cash balances exceeded the average three month expenditures in 23 of the 24 months tested with cash balances that ranged from \$180,876 to \$241,738.

Context

The lack of controls and noncompliance were systemic issues that 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. . . ."

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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 segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the 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.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-003

Subject: Child Nutrition Cluster - Internal Controls
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program, School Breakfast Program
CFDA Numbers: 10.555, 10.553
Federal Award Numbers and Years (or Other Identifying Numbers): 69-6900, FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Equipment and Real Property Management,
Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weaknesses

Repeat Finding

This is a repeat finding from the immediately prior audit as it pertains to Eligibility, Equipment and Real Property Management, and Reporting. The prior audit finding numbers were 2014-005, 2014-007, and 2014-008.

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 following compliance requirements:

Eligibility

One person was primarily responsible for inputting information from free and reduced price applications into the computer software system that determined eligibility. There was no control in place, such as an oversight, review, or approval process, to verify that the eligibility determinations were entered or made correctly.

Equipment and Real Property Management

The Treasurer maintained an asset schedule, which included equipment purchased from the School Lunch fund. There was no control in place, such as an oversight, review, or approval process, to ensure that the asset schedule was accurately maintained.

Reporting

The Treasurer prepared and submitted the monthly reimbursement requests and Annual Financial Reports. There was no control in place, such as an oversight, review, or approval process, to ensure that the reports were accurate.

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

One person was primarily responsible for performing the required verification of free and reduced price applications. There was no control in place, such as an oversight, review, or approval process, to ensure that the verifications were properly performed.

Context

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

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

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program, School Breakfast Program
CFDA Numbers: 10.555, 10.553
Federal Award Number and Year (or Other Identifying Number): FY16
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 of Finding 2014-006 from the immediately prior audit.

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 a purchasing policy addressing micro-purchases, small purchases, and other purchases. No evidence of price or rate quotations was presented for audit for five purchases that exceeded the threshold requiring price or rate quotations.

Context

The lack of controls and noncompliance were systemic issues that 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 200.319(c) states in part: "The non-Federal entity must have written procedures for procurement transactions. . . ."

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.320 states in part:

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

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

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

Cause

Management had not developed an effective internal control system that would have ensured compliance with the procurement 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 related to the grant agreement and the procurement requirements.

FINDING 2016-005

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 69-6900, FY15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Other Matters

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat of Finding 2014-009 from the immediately prior audit.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

For the 2014-2015 school year, there was no preparation of paid lunch equity calculations made by the School Corporation. There was a lack of controls in place to ensure that Paid Lunch Equity calculations were performed and accurate. The head cook began completing the Paid Lunch Equity calculation during the 2015-2016 school year.

Context

The lack of controls and noncompliance were systemic issues during the 2014-2015 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. . . ."

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) Calculation procedures. Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirement. 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 related to the grant agreement and the compliance requirement 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 2016-006

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-6900, 16-6900

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Period of Availability, 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 requirements related to the grant agreement and the following compliance requirements:

Cash Management and Period of Availability

The requests for reimbursement and supporting documentation of expenses claimed for reimbursements were prepared and submitted by the Treasurer. During the 2014-2015 school year, there was no control in place, such as an oversight, review, or approval process, to ensure that expenses requested for reimbursement complied with Cash Management and Period of Availability requirements.

Reporting

The requests for reimbursements were prepared and submitted by the Treasurer. During the 2014-2015 school year, there was no control in place, such as an oversight, review, or approval process, to ensure that the reports were accurate. The Treasurer prepared the Annual Expenditure Reports without a control in place to ensure that the reports were accurate prior to submission.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls over Reporting was a systemic issue that occurred throughout the audit period. The lack of controls over Cash Management and Period of Availability occurred throughout the 2014-2015 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 that segregated key functions.

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 program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-007

Subject: Title I Grants to Local Educational Agencies - Procurement
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Number and Year (or Other Identifying Number): 16-6900
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation did not have a purchasing policy addressing micro-purchases, small purchases, and other purchase methods. There were no controls in place, such as an oversight, review, or approval process, to ensure compliance with procurement requirements.

Context

The lack of controls and noncompliance were systemic issues that 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 200.319(c) states in part: "The non-Federal entity must have written procedures for procurement transactions. . . ."

2 CFR 200.320 states in part:

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

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

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirement. 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 related to the grant agreement and the procurement requirements.

Views of Responsible Officials

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

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-6900, 16-6900

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation did not have an effective internal control system in place to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement. Documentation was not presented for audit to verify that the schools operating a schoolwide program included the following required core elements:

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

1. Comprehensive needs assessment.
2. Comprehensive plan.
3. Annual evaluation of the schoolwide program.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 200.26 states:

"(a) *Comprehensive needs assessment.*

- (1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that—
 - (i) Is based on academic achievement information about all students in the school, including all groups under § 200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under § 200.1 to—
 - (A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and
 - (B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and
 - (ii) Assesses the needs of the school relative to each of the components of the schoolwide program under § 200.28.
- (2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.

(b) *Comprehensive plan.* Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with § 200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.

(c) *Evaluation.* A school operating a schoolwide program must—

- (1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;
- (2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and
- (3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program."

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the compliance requirement. 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 and implement an internal control system to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

Views of Responsible Officials

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



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“Great Things Are Happening at Jac-Cen-Del”

CORRECTIVE ACTION PLAN

Views of Responsible Official: We concur with the findings 2016-001 through 2016-008. However we wanted to add the following comments pertaining to the findings.

Some of my views on this process it that when it came to the cafeteria accounts and getting the accounts down to the 3-month expenditure threshold we did not just start spending money to spend money, we wanted to be diligent in how we did this process and it took a little longer than what the auditors thought it should and we changed some of the ways we were going to make this happen. Also with the audits being so far behind we are already through the next audit period before we find out about any changes we need to be making. I believe the audit process could use some tweaking also. A lot of the issues that states that they are not reviewed by more than one person, are in fact a lot of times reviewed by more than one, it is just simply the fact that we don't sign every piece of paper that is involved in the process. People wear many hats in a small school corporation and I feel that if there are no implications that embezzling or fraud is taking place and if audits could be done in a timelier manner it would help alleviate some of the findings that schools have to deal with.

Description of Corrective Action Plan:

FINDING 2016-001

Due to lack of communication and understanding of the process and spreadsheets provided some information was left off of the SEFA. Corrective action has already been put in place regarding getting the necessary information on one spreadsheet to include on the SEFA and corrective action has already been applied regarding putting the commodities on the SEFA. The treasurer and superintendent will both review and sign off on the SEFA moving forward.

FINDING 2016-002

Corrective action has already been put in place to keep the monthly balance under the 3 months of expenditures threshold. There was a procedure put in place to start expending some of these funds to get the balances down. It is not a quick process and we wanted to be very diligent in how we did this but we are now getting a finding because we did not do this quickly enough or exactly how we said we would.

FINDING 2016-003

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

We are doing the process the same as what we did in the previous audit and there was no mention that we were not doing correctly. The Head cook is not the only one who reviews these verifications. The treasurer also looks over them and the head cook and treasurer enter this information on the website together. Once again moving forward the treasurer and café manager will sign the forms. I believe that with the head cooks and the treasurer sharing the responsibilities of maintaining the accounts, requesting reimbursements, verifications and such that is a good internal controls system.

Equipment and Real Property Management

In the previous audit it was suggested that we have a more detailed assets inventory. The treasurer created said spreadsheet inventory but it was not indicated that it had to be signed off on. The maintenance director, transportation director, technology director, café managers and anyone else necessary to the process will inform the treasurer if something has been discarded, and the treasurer will note on the sheet all those items that have been purchased. Corrective action has already been put in place for this finding. The Treasurer is now sending a copy of the assets spreadsheet to anyone who needs to review it and asking for each one to review it and sign off on it. Also inventories from everyone have always been and still are required at the end of each school year.

Eligibility

Corrective action has already been put in place for this finding. The board has approved and the treasurer is now doing a second audit review.

Reporting

A corrective action was put in place to have the cafeteria managers sign off on the printed cash balance sheet each month but the treasurer was informed that this process was not sufficient and the corrective action of having each cafeteria manager sign off on the packet containing the fund report, cash balance report and the monthly reimbursement request is now in place.

FINDING 2016-004

In the previous audit it was mentioned about doing the suspension and debarment, and this procedure has been followed since. The purchasing policy was a timing issue; it was corrected almost immediately after the last audit.

FINDING 2016-005

In the first year following the audit I don't think that the treasurer or the cafeteria managers realized this had to be done. It is now being done.

FINDING 2016-006

Corrective action has been put in place for this finding. The reports and everything pertaining to Title I finances is reviewed by both the Treasurer and Title I Director. Many of the grants now require two signatures on the reimbursements which is how I feel it should have always been.

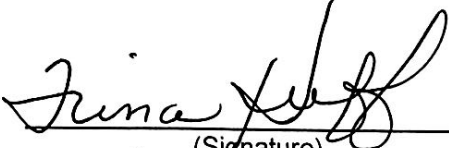
FINDING 2016-007

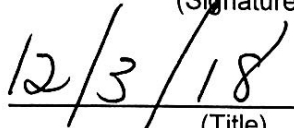
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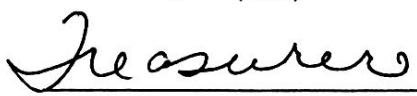
Finding 2016-008

Condition

The Title I Director has stated that he will comprise a comprehensive needs assessment, a comprehensive plan and an evaluation of the school wide program at the end of the 2018-2019 school year.



(Signature)


(Title)


(Date)

JAC-CEN-DEL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2018, with Trina Huff, Treasurer; William Travis Neal, President of the School Board; William Narwold, former Superintendent of Schools; and Travis Rohrig, Superintendent of Schools.