

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
NORTHEASTERN WAYNE SCHOOL CORPORATION  
WAYNE COUNTY, INDIANA  
July 1, 2015 to June 30, 2017



**FILED**  
02/01/2019

*Reissued June 5, 2019,  
to correct the Federal  
Findings.*



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kay Reed	07-01-15 to 06-30-19
Superintendent of Schools	Laura Blessing	07-01-15 to 06-30-19
President of the School Board	Brad Hester Ben Austerman Keith Webster	01-01-15 to 12-31-17 01-01-18 to 03-31-18 04-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHEASTERN WAYNE SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Northeastern Wayne School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

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

December 13, 2018

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition*

An effective internal control system was not in place at the School Corporation over receipts.

The Treasurer collected, receipted, deposited, and recorded the receipts into the accounting records without an oversight, approval, or other internal control process, to ensure the accuracy of the collection and posting of receipts.

*Context*

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

*Criteria*

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

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

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

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

*Cause*

Management had not established a proper system of internal control over receipts that segregated key functions.

*Effect*

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

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to receipts.

*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: Preparation of the Schedule of Expenditures of Federal Awards  
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*

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The federal award information was entered into Gateway without a control process in place to ensure its accuracy before submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$329,228 and \$358,329 for the periods ending June 30, 2016 and 2017, respectively. Included in the Child Nutrition Cluster understatement was the omission of the School Breakfast Program, National School Lunch Program, and National School Lunch Program Commodities.
2. The Special Education Cluster (IDEA) expenditures were understated by \$69,173 for the period ending June 30, 2016, and overstated by \$206,257 for the period ending June 30, 2017. Included in the overstatement, for the period ending June 30, 2017, was the double reporting of the fiscal year 2015 and fiscal year 2016 grant awards.
3. The Title I Grants to Local Educational Agencies expenditures were overstated by \$107,592 for the period ending June 30, 2016, and understated by \$19,307 for the period ending June 30, 2017.
4. The Rural Education expenditures were understated by \$25,802 for the period ending June 30, 2016. Included in the understatement was the omission of the expenditures related to the fiscal year 2015 Award.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

5. The Supporting Effective Instruction State Grants expenditures were overstated by \$5,087 for the period ending June 30, 2016, and understated by \$28,483 for the period ending June 30, 2017.
6. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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

*Criteria*

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

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

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

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

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

*Cause*

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

*Effect*

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

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2017-003**

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

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

*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 Cash Management compliance requirement.

The School Corporation had not established an effective internal control system that would have ensured that its net cash resources in the School Lunch fund did not exceed the three months average expenditures. Twenty-two of the twenty-four months net cash resources exceeded its three months average expenditures.

*Context*

The lack of controls and noncompliance was a systemic issue, 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). . . ."

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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 2017-004**

Subject: Child Nutrition Cluster - Equipment and Real Property Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation's property records did not contain all required information. A physical inventory was completed at June 30, 2016; however, new equipment purchased after this date was not included in the record. Also, the inventory did not document which equipment was purchased in whole or in part with federal funds.

*Context*

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

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 200.313(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Equipment and Real Property 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 Equipment and Real Property 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 equipment requirements of the Equipment and Real Property Management compliance requirement.

NORTHEASTERN WAYNE 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 2017-005**

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation incorrectly calculated the gross income on two of the eleven applications selected for verification causing eligibility for free and reduced prices to be evaluated incorrectly for those applications.

*Context*

This 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). . . ."

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

7 CFR 245.6a states in part:

". . . (c) *Verification requirement* -

- (1) *General*. The local educational agency must verify eligibility of children in a sample of household applications approved for free and reduced price meal benefits for that school year. . . .
- (3) *Standard sample size*. Unless eligible for an alternative sample size under paragraph (d) of this section, the sample size for each local educational agency shall equal the lesser of:
  - (i) Three (3) percent of all applications approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or
  - (ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year.
  - (iii) Local educational agencies shall not exceed the standard sample size in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable, and, unless eligible for one of the alternative sample sizes provided in paragraph (c)(4) of this section, the local educational agency shall not use a smaller sample size than those in paragraphs (c)(3)(i) or (c)(3)(ii) of this section, as applicable.
  - (iv) If the number of error-prone applications exceeds the required sample size, the local educational agency shall select the required sample at random, i.e., each application has an equal chance of being selected, from the total number of error-prone applications. . . .

(f) *Verification procedures and assistance for households* . . . .

- (7) *Eligibility changes*. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to establish internal controls placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2017-006**

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): FY 2015-2016, FY 2016-2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

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

The School Corporation had not designed or implemented adequate internal controls to ensure that the eligibility determination for free and reduced price meals was correct. There was no oversight process in place.

The School Corporation was unable to provide evidence that they complied with the eligibility requirements regarding the notification of households' eligibility criteria through public announcement.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

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

*Effect*

The failure to establish an effective internal control system and provide sufficient documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Eligibility compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Eligibility compliance requirement will be maintained and available for audit.

*Views of Responsible Officials*

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

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-007***

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

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

*Condition*

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

The School Corporation did not obtain bids for produce vendors. Total purchases for produce exceeded \$150,000, an amount for which Indiana Code required that a formal bidding process be followed. Produce purchases were not procured in accordance with state policies and procedures.

The School Corporation did not verify that vendors with whom the School Corporation entered into covered transactions were not suspended or debarred.

*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(a) states: "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."

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

2 CFR 180.300 states:

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

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

*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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-008***

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2015-2016, FY 2016-2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-007.

*Condition*

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

The Food Service Director prepared and submitted the Sponsor Claims (claim for reimbursement) and the Annual Financial Report without an oversight, approval, or other internal control process to ensure the accuracy of the reports.

*Context*

The lack of controls was a systemic issue, 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). . . ."

*Cause*

Management had not developed a system of internal controls 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.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance 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 2017-009**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

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): 14214-013-PN01, 99914-0-PN01,  
14215-013-PN01, 14216-011-PN01,  
14217-011-PN01, 45715-013-PN01,  
45716-011-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure that documentation was maintained to support the School Corporation's compliance with requirements related to the grant agreement and the Level of Effort compliance requirement.

In calculating the state and local expenditures for special education, to meet the Maintenance of Effort requirement of Level of Effort, the School Corporation's management failed to provide sufficient supporting documentation for the maintenance of effort calculation for fiscal year 2015-2016 and fiscal year 2016-2017. The lack of supporting documentation resulted in the inability to determine if expenditure accounts used to derive the calculated amounts were for special education services and thus allowable. Also, we were not able to determine if the expenditure accounts included in the calculation were consistent from year to year.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with Level of Effort compliance requirement.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured that supporting documentation related to the Level of Effort compliance requirement was maintained and made available for audit.

*Effect*

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the Schools Corporation's compliance with the grant agreement and the Level of Effort compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Level of Effort compliance requirement be maintained and made available for audit.

*Views of Responsible Officials*

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

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-010***

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 and Years (or Other Identifying Numbers): 14214-013-PN01, 99914-0-PN01,  
14215-013-PN01, 14216-011-PN01,  
14217-011-PN01, 45715-013-PN01,  
45716-011-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2015-012.

*Condition*

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

The School Corporation designated a fiscal agent to receive and manage the federal awards for the special education programs. Management of the School Corporation had not implemented controls over payroll and the fiscal agent as it related to the Allowable Costs/Cost Principles compliance requirement, specifically time and effort requirements.

*Context*

The lack of controls was a systemic issue, which occurred throughout that 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). . . ."

*Cause*

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

NORTHEASTERN WAYNE SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 Allowable Costs/Cost Principles - Time and Effort 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 Allowable Costs/Cost Principles - Time and Effort compliance requirement.

*Views of Responsible Officials*

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



# NORTHEASTERN WAYNE SCHOOL CORPORATION

314 Main Street  
Fountain City, IN 47341  
(765) 847-2821  
www.nws.k12.in.us

Mrs. Laura Blessing, Superintendent  
Mr. Eric S. Green, Assistant Superintendent  
Mrs. Jackie Webb, Corporation Secretary  
Mrs. Kay Reed, Corporation Treasurer  
Mrs. Vanessa Curtis, Corporation Registrar

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-001 Financial Transactions and Reporting***

Contact Person Responsible for Corrective Action: Corporation Treasurer  
Contact Phone Number: 765-847-2821

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

Description of Corrective Action Plan:

After the corporation treasurer collects and receipts the money. The payroll clerk initials deposit tickets and take the deposits to the bank.

Anticipated Completion Date: October 2018

### ***FINDING 2017-002 Preparation of the Schedule of Expenditures of Federal Awards***

Contact Person Responsible for Corrective Action: Corporation Treasurer  
Contact Phone Number: 765-847-2821

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

Description of Corrective Action Plan:

The corporation treasurer prepares the SEFA worksheet/ledger and enters the amounts expended and received into each federal award. The superintendent signed-off on the ledger worksheets and reviewed prior to submission into Gateway.

Anticipated Completion Date: August 2019



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## CORRECTIVE ACTION PLAN

### ***FINDING 2017-003 Child Nutrition Cluster- Cash Management***

Contact Person Responsible for Corrective Action: Corporation Treasurer  
Contact Phone Number: 765-847-2821

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

#### Description of Corrective Action Plan:

The corporation treasurer will monitor the three-month expenditure balance based on the prior year formula based on the cash management procedures. Corporation Treasurer will review fund report balances to ensure the balance does not exceed the three-month average balance. The Superintendent will review and sign the fund report that shows the cash balance each month. The calculations and fund reports will be retained for audit.

Anticipated Completion Date: June 30, 2019

### ***FINDING 2017-004 Child Nutrition Cluster-Equipment and Real Property Management***

Contact Person Responsible for Corrective Action: Assistant Superintendent  
Contact Phone Number: 765-847-2821

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

#### Description of Corrective Action Plan:

The Assistant Superintendent will work with the Food Service Director to make sure all equipment acquisitions and disposals are included in the bi-annual asset tagging exercise. The capital asset report will provide a breakdown of what funds were used to purchase equipment.

Anticipated Completion Date: June 30, 2019



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## CORRECTIVE ACTION PLAN

### ***FINDING 2017-005 Child Nutrition Cluster-Special Tests and Provisions-Verification of Free and Reduced Price Applications (NSLP)***

Contact Person Responsible for Corrective Action: Elementary School Treasurer  
Contact Phone Number: 765-847-2595

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

Description of Corrective Action Plan:

The elementary school treasurer will verify all household income for free/reduced applications to make sure they comply with the eligibility criteria including over time calculations. The elementary principal (or designee) will review and sign off on all free/reduced lunch applications.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately

### ***FINDING 2017-006 Child Nutrition Cluster-Eligibility***

Contact Person Responsible for Corrective Action: Elementary Treasurer  
Contact Phone Number: 765-847-2595

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

Description of Corrective Action Plan:

The school treasurer calculates the applications for eligibility of free/reduced meals. The elementary principal (or designee) will check calculations to ensure accuracy and sign-off.

The school treasurer will post notification of households' eligibility on each school's website annually to ensure the free and reduced meals are correct and up to date.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately



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## CORRECTIVE ACTION PLAN

### ***FINDING 2017-007 Child Nutrition Cluster-Procurement and Suspension and Debarment***

Contact Person Responsible for Corrective Action: Food Service Director  
Contact Phone Number: 765-847-2595

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

Description of Corrective Action Plan:

Director of food service will advertise bids and seek board approval beginning December 2018 for food vendors. Board approval will document internal control. The bid advertisement and bid documentation will be maintained for audit.

Prior to a purchase, Food Service Director conducts a SAM search. Results of the SAM search are attached to the purchase order and requisition that are prepared by the Food Service Director. The corporation treasurer reviews and signs off on this procedure.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately

### ***FINDING 2017-008 Child Nutrition Cluster-Reporting***

Contact Person Responsible for Corrective Action: Food Service Director  
Contact Phone Number: 765-847-2595

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

Description of Corrective Action Plan:

The Food Service Director prepares monthly reports and sponsor claims and the superintendent reviews the number of meals claimed on each activity report and then verifies that deposits match the sales activity reports and signs off on them.



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Mrs. Kay Reed, Corporation Treasurer  
Mrs. Vanessa Curtis, Corporation Registrar

Anticipated Completion Date: The Corrective Action Plan is to begin immediately

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-009 Special Education Cluster (IDEA)-Level of Effort-Maintenance of Effort***

Contact Person Responsible for Corrective Action: Superintendent  
Contact Phone Number: 765-847-2821

Views of Responsible Official: Northeastern Wayne Schools agrees with the finding

Description of Corrective Action Plan:

The school superintendent will prepare the MOE using the data from Form 9 and will create a formula to calculate the allowable expenditures for administrative salaries, transportation costs and transportation salaries. The calculation documentation will be retained with the MOE report for audit. The assistant superintendent will review the calculations and compare it with Form 9 data and sign-off.

Anticipated Completion Date: The Corrective Action Plan is to begin immediately

Laura Blessing  
(Signature)  
Superintendent  
(Title)  
12-11-18  
(Date)

Corrective Action Plan

Finding 2017-010

Contact Person Responsible for Corrective Action: Liza Bates

Contact Phone Number: (765) 458-0263

Views of Responsible Official: This finding has been corrected.

Description of Corrective Action Plan:

The director provides a financial report and a corresponding packet of financial information at each monthly meeting of the East Central Governing Board. The superintendents of the participating corporations review and sign off on the financial packet each month beginning October 9, 2017.

The packet includes:

- Information about the period of availability of the grant being utilized
- Grant budget, expenses, and reimbursements to date
- Documentation of quarterly reporting
- Documentation of time and effort reporting
- Reimbursement request form for previous month's expenditures with supporting documentation, including payroll and benefits
- Claims to be reviewed prior to presentation at the fiscal agency's board meeting

This financial report and packet provide an effective internal control system for the participating corporations to demonstrate oversight over duties performed by the fiscal agent related to allowable activities, allowable costs, cash management, period of performance, and reporting requirements for the IDEA grant.

Anticipated Completion Date: This finding has been corrected as of October 9, 2017.

107 S. Layman St.  
•  
Suite A  
•  
Liberty, IN 47353

Signature: Liza Bates  
Title: Director  
Date: 5-29-19

(765) 458-0263  
•  
Toll 1-888-219-0004  
•  
Fax (765) 458-0356

NORTHEASTERN WAYNE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

The Treasurer of the School Corporation certified in writing, on August 20, 2018, that the minimum internal control standards had been adopted by the political subdivision and personnel had received training as required. The School Board had adopted the minimum internal control standards on January 10, 2018; however, we were unable to determine if personnel had received training due to a lack of documentation.

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

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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

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

***ADOPTION OF AND TRAINING ON INTERNAL CONTROL STANDARDS***

For the period ending June 30, 2017, the legislative body of the School Corporation did not ensure that:

1. The internal control standards and procedures developed under subsection (e) were adopted by the political subdivision.
2. Personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

NORTHEASTERN WAYNE SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

The legislative body of the School Corporation adopted the internal control standards on January 10, 2018. Internal Control Training Certification Forms were not retained for audit; therefore, we are unable to determine if the legislative body has ensured that personnel received training.

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

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

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

***PREPAID SCHOOL MEAL ACCOUNTS***

The same comment also appeared in prior Report B49265.

The Prepaid Lunch fund was not accounted for within the School Corporation Treasurer's records. The Prepaid Lunch fund was not accounted for within the School Corporation Treasurer's records and there were no outside ledgers maintained for the Prepaid Lunch bank account. The Food Service Director would deposit the daily sales from the cafeterias and collections for prepaid lunch accounts into the bank account. At least monthly, the Food Service Director would determine the amount of money to transfer, by check, to the School Lunch fund that would account for the number of meals served and any ala carte or other sales. The Prepaid Lunch bank account through the bank statement activity could be audited; however, the ending balance did not reconcile to the Student Account Balances (subsidiary records).

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

NORTHEASTERN WAYNE SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2018, with Kay Reed, Treasurer; Laura Blessing, Superintendent of Schools; and Keith Webster, President of the School Board.

The updated contents of this report were discussed on May 28, 2019, with Laura Blessing, Superintendent of Schools.