

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

GREENFIELD-CENTRAL COMMUNITY
SCHOOL CORPORATION
HANCOCK COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
02/06/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ruthann Fisher	01-01-15 to 12-31-19
Superintendent of Schools	Dr. Harold E. Olin	07-01-15 to 06-30-19
President of the School Board	Retta Livengood Daniel Brown	01-01-15 to 12-31-17 01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE GREENFIELD-CENTRAL COMMUNITY
SCHOOL CORPORATION, HANCOCK COUNTY, INDIANA

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

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

December 13, 2018

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

Condition

The School Corporation had not separated incompatible activities related to Cash and Investments, Receipts (including federal transactions), Disbursements (including federal transactions), and the Schedule of Expenditures of Federal Awards (SEFA). There were no controls in place to ensure proper oversight, review, or approval processes.

Cash and Investments:

The School Corporation had not established controls to ensure all bank balances were reconciled and agreed to the cash and investment balances within the financial statements and accounting ledgers.

The School Corporation completed the bank reconciliements using computer software; however, the reconciliements were incomplete. The reconciliements excluded an investment account, and the reconciled bank balances were not compared to the cash and investment balances recorded in the financial statements and accounting ledgers.

Receipts (Including Federal Transactions)

The School Corporation had not separated incompatible activities related to collections, deposits, and issuance of receipts. One individual received the collections, issued the receipts, prepared deposit tickets, and took the collections to the bank. There was no evidence of a proper oversight, review, or approval process.

Disbursements (Including Federal Transactions)

The Business Manager reviews the detailed reports of disbursements; however, there was no documentation of this review.

The payroll and payroll withholdings/remittances were posted to the ledgers without a control in place to ensure items were properly posted.

SEFA

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

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls 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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

Cause

Management had not established a proper system of internal control over financial transactions and reporting.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected and resulted in noncompliance. Fund and bank balances are required to be reconciled at least monthly.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting. We also recommended that the School Corporation reconcile their bank balances to their accounting ledgers on a monthly basis.

Views of Responsible Officials

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

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-002

Subject: Child Nutrition Cluster - Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 2015-16, 2016-17

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report related to Reporting and Special Tests and Provisions - Paid Lunch Equity. The prior audit finding numbers were 2015-004 and 2015-005.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Activities Allowed and Unallowed, Allowable Costs/Cost Principles

The School Corporation did not have a system of internal controls in place to ensure amounts paid for salaries from the food service account were documented, reviewed, and verified to ensure they were allowable activities and costs of the program.

Eligibility

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

Reporting

The monthly Sponsor Claims (claims for reimbursement), School Food Authority (SFA) Verification Collection Reports, and Annual Financial Reports were prepared and submitted by one individual, without a documented control, such as an oversight, review, or approval process.

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

Special Tests and Provisions - School Food Accounts

End of month reports for the Food Service Fund were prepared by the Administrative Assistant to the Business Manager. There was no documentation of a review by a separate individual to ensure the end of month balances were accurate.

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

The School Corporation performed the calculations for paid lunch equity without a documented control, such as an oversight, review, or approval process, to ensure the accuracy.

Context

The lack of controls 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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2017-003

Subject: School Breakfast Program, National School Lunch Program - 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): 2015-16, 2016-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
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 2015-03

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. There were no procedures established to ensure that the School Lunch fund cash balances (net cash resources) were maintained in compliance with the Cash Management requirements and there were no excessive cash balances.

The School Corporation maintained cash balances in excess of three months average expenditures for the entire 2015-2016 fiscal year. The excess maintained in fiscal year 2015-2016 ranged from \$5,039 to \$153,173. For fiscal year 2016-2017, excess cash was held for four of the twelve months. In 2016-2017 fiscal year the excess ranged from \$16,419 in November 2016 to \$96,990 in January 2017.

Context

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

GREENFIELD-CENTRAL COMMUNITY 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). . . ."

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:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and ensure compliance with the Cash Management compliance requirement.

Views of Responsible Officials

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

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-004

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): 2015-16, 2016-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

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 compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that proper procurement methods were selected prior to purchasing goods that were not contracted through a purchasing cooperative.

The School Corporation's procurement policy did not address the methods of procurement required by federal guidelines. The policy did not include the procedures for each method of procurement (micro purchase, small purchase or simplified acquisition) and the thresholds for each method.

There were six vendors that met the requirements for small purchases; however, the School Corporation did not obtain price or rate quotations from an adequate number of qualified sources as required by federal guidelines.

Context

The lack of controls and noncompliance were systematic 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."

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . .
- (2) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluation bids or proposals."

2 CFR 200.320 states in part:

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

- (a) Procurements 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). . . ."

Cause

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

GREENFIELD-CENTRAL 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 2017-005

Subject: School Breakfast Program, National School Lunch Program - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 2015-16, 2016-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Program Income compliance requirement and that program income was properly accounted for in the School Corporation's records.

The School Corporation did not comply with requirements for accounting for program income generated from the operation of the school food service program. A separate fund is required for collections for prepaid meals. Collections for both prepaid meals and meals served were commingled within the School Lunch fund. The School Corporation did not establish a separate fund for prepaid meals until July 2017.

Context

The lack of controls and the noncompliance were systemic issues 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(c) states:

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

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 220.7(e) states in part:

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

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

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

2 CFR 200.302(b)(3) states:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement or the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-006

Subject: Special Education Cluster (IDEA) - Activities Allowed and Unallowed,
Allowable Costs/Cost Principles, Period of Performance, Reporting
Federal Agency: Department of Education
Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-131-PN01, 14217-131-PN01,
45716-131-PN01, 45717-131-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed and Unallowed, Allowable Costs/Cost Principles,
Period of Performance, Reporting
Audit Finding: Material Weaknesses

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting compliance requirements.

Activities Allowed and Unallowed, Allowable Costs/Cost Principles

The School Corporation did not have a system of internal controls in place to ensure amounts paid for compensation and the related employee benefits from the grant funds were allowable activities and costs of the program. One individual entered payroll codes for recording the compensation and the related employee benefits to the grant funds, without a documented control, such as an oversight or review process, of the information entered.

Period of Performance

Grant disbursements lacked a documented control, such as an oversight, review, or approval process, to ensure the disbursements were paid within the period of performance.

Reporting (Special Reports)

Special reports were prepared and submitted by one individual, without a documented control, such as an oversight, review, or approval 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:

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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 grant agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting compliance requirements.

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 Activities Allowed and Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2017-007

Subject: Special Education Cluster (IDEA) - Cash Management, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-131-PN01, 14217-131-PN01,
45716-131-PN01, 45717-131-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

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

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Internal controls

The School Corporation had not designed or implemented effective internal controls to ensure that the expenditures, and any adjustments to expenditures occurred prior to requesting and reporting the expenditures on the claims for reimbursement. Additionally, the School Corporation did not implement effective controls to ensure that all expenditures and adjustments to expenditures reported on the claim for reimbursement were for allowable activities and costs of the grant.

Compliance

The School Corporation included expenditures totaling \$301,280 on claims for reimbursement prior to having disbursed the funds as of the date claimed.

In addition, the School Corporation had questioned costs totaling \$29,460 based on the following:

1. Claims for reimbursement included \$15,739, for which supporting documentation was not provided.
2. Employee benefits totaling \$1,984 based upon calculations instead of actual costs were included on claims for reimbursement.
3. Performance based compensation totaling \$11,737, which was paid for by a state grant, was also reported and claimed for reimbursement.

Context

The lack of controls and the noncompliance was limited to the fiscal year 2015-2016 school year.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuances or redemption of checks, warrants, or payment by other means. . . ."

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets in specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. This method may be used on any Federal award for construction, or if the major portion of the construction project is accomplished through private market financing or Federal loans, and the Federal award constitutes a minor portion of the project. . . ."

2 CFR 200.302 states in part:

"(a) Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . .

(b) The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Cash Management and Reporting compliance requirements.

Questioned Costs

Questioned costs totaling \$29,460 have been reported.

Recommendation

We recommended that the School Corporation's management establish controls and ensure compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

GREENFIELD-CENTRAL 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 2017-008

Subject: Special Education Cluster (IDEA) - Earmarking and Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-131-PN01, 14217-131-PN01,
45716-131-PN01, 45717-131-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Findings: Material Weakness, Modified Opinion

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 Earmarking and Reporting compliance requirements.

The Proportionate Share Quarterly Reports were prepared by the Director of Student Services; however, there was no documented control, such as an oversight, review, or approval process, to ensure the accuracy of the report and ensure that the reports were supported.

The School Corporation could not provide supporting documentation for the Quarterly Proportionate Share Reports to ensure compliance with Earmarking and Reporting requirements. Due to the lack of supporting documentation, the School Corporation could not support that \$87,683 was properly earmarked and expended to provide Special Education and related services to non-public schools.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documented prevented the determination of the School Corporation's compliance with the Earmarking and Reporting compliance requirements.

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). . . ."

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 Earmarking and Reporting compliance requirements were 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 School Corporation's compliance with the grant agreement and the Earmarking and Reporting compliance requirements.

Questioned Costs

There were questioned costs of \$87,683 identified.

Recommendation

We recommended that the School Corporation's management establish controls and ensure that documentation related to the grant agreement and the Earmarking and Reporting compliance requirements 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.



GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION

Dr. Harold Olin,
Superintendent

Mrs. Ann C. Vail,
Associate Superintendent

Mr. Nathaniel Day,
Interim Business Manager

Dr. Christina L. Hilton,
Assistant Superintendent

We would like to open with a general statement concerning the repeated nature of a number of these audit findings. Due to the delay in the audit process in the State of Indiana, the period of July 1, 2013 to June 30, 2015 was not audited until July 2017. Many corrective actions were implemented at that time, however were not in place during the period of July 1, 2015 to June 30 2017. While the issues are labeled as repeat findings, this is primarily due to the delay in receiving our audit results as opposed to continued negligence by the responsible officials.

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Nathaniel Day
Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Segregation of duties has been introduced in to all financial transactions and duties. At least 2 employees prepare and review the receipts, disbursement, payroll and bank reconciliation processes and we have added a documentation activity to confirm this.

Cash and Investment:

Reconciling the bank statement will now include all accounts each month. After the statements are reconciled, the Deputy Treasurer and Business Manager will review and document the review process.

Receipts:

Mail is opened by the front desk receptionist and all checks and cash are given to the Payroll Specialist. The Payroll Specialist documents the items and writes receipts for each and gives this to the Treasurer. The Treasurer prepares the deposit slip and takes the deposit to the bank. The Treasurer enters the receipt in to Komputrol and prints a receipt for the Deputy Treasurer. At the end of the month, the Deputy Treasurer reconciles the account and insures that the revenue in the bank statements matches the deposit slips and Komputrol Receipts.

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Disbursements:

The Deputy Treasurer matches invoices to encumbered Purchase Orders when applicable and review all invoices for accuracy. The Deputy Treasurer inputs the claims on to the Komputrol Accounts Payable module and generates a claim docket. The Treasurer and Business Manager review the claims docket, which is signed by the Treasurer, and the Business Manager reviews all claims and initials them. The claim docket is presented to the Superintendent and Board for approval.

Payroll:

Payroll is generated by the Treasurer and Payroll Specialist. The Payroll Specialist and Administrative Assistant to the Business Manager review the payroll. Before posting the Treasurer reviews their work and posts payroll.

SEFA:

The Treasurer inputs the information in to Gateway and it is reviewed by the business manager.

After the above reviews, all parties will complete and sign the review worksheet.

Anticipated Completion Date: January 2019, but many of these procedures were started in the Fall of 2017. We will continue to refine and improve our Internal Controls throughout the audit period.

FINDING 2017-002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Nathaniel Day

Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Segregation of duties has been introduced in to all financial transactions and duties.

Activities Allowed and Unallowed Allowable Costs/Costs Principles:

The corporation will no longer allocate salaries between the School Nutrition and General Fund. All employees paid from School Nutrition will be only working on School Nutrition

Eligibility:

Eligibility parameters will be reviewed by the Director of Food Service and Business Manager and/or Dietitian.

Reporting:

All Sponsor Claims, SFA Verification Collection Reports, and Annual Financial Reports will be reviewed by the Director of Food Service and Business Manager and/or Dietitian.

Special Tests and Provisions – Verification of Free and Reduced Lunch Applications:

The Food Service Director will complete the verification and review with the Business Manager and/or Dietitian.

Special Tests and Provisions – School Food Accounts:

End of the Month Reports for the Food Service Fund will be prepared by the Administrative Assistant to the Business Manager and reviewed by the Food Service Director and Business Manager.

Special Tests and Provisions – Paid Lunch Equity:

Paid Lunch Equity will be calculated and reviewed by the Director of Food Service and Business Manager and/or Dietitian.

After the above reviews, all parties will complete and sign the review worksheet.

Anticipated Completion Date: January 2019, and we will continue to refine and improve our Internal Controls throughout the audit period.

FINDING 2017-003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Nathaniel Day
Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director and Business Manager will calculate the average 3 month balance limit and compare the current month balance to the limit as part of the month end report review.

After the above review, all parties will complete and sign the review worksheet.

Anticipated Completion Date: January 2019, and we will continue to refine and improve our Internal Controls throughout the audit period.

FINDING 2017-004 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Nathaniel Day
Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director and Business Manager will develop a procurement policy that conforms to the grant agreement and review all procurement activities to insure compliance. Each procurement activity will be reviewed against this policy and a procurement policy documentation worksheet will be completed.

Anticipated Completion Date: March 2019, and we will continue to refine and improve our Procurement Policy throughout the audit period.

FINDING 2017-005

Contact Person Responsible for Corrective Action: Nathaniel Day
Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

We have refined our use of Fund 8400 to follow proper receipt and expenditure procedure. The Administrative Assistant to the Business Manager, Deputy Treasurer and Food Service Director will review deposits and make the appropriate transfers to the Food Service Fund each month.

After the above reviews, all parties will complete and sign the review worksheet.

Anticipated Completion Date: January 2019, and we will continue to refine and improve this process throughout the audit period.

FINDING 2017-006

Contact Person Responsible for Corrective Action: Nathaniel Day
Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Activities Allowed and Unallowed Allowable Costs/Costs Principles:

After assigning the payroll codes for salary and benefits the Treasurer will review the employees assigned to the grant with the Director of Student Services to insure compliance with the grant application

Period of Performance:

The Deputy Treasurer will review disbursements from the grant with the Treasurer and Director of Student Services to insure that disbursements are paid within the period of performance.

Reporting (Special Reports):

All Special Reports will be reviewed by the Director of Student Services after preparation and before submittal.

After the above reviews, all parties will complete and sign the review worksheet.

Anticipated Completion Date: January 2019, and we will continue to refine and improve our grants process throughout the audit period.

FINDING 2017-007

Contact Person Responsible for Corrective Action: Nathaniel Day
Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Internal Controls:

The Deputy Treasurer will review claims with the Director of Student Services and the Treasurer before submission to insure that the costs are allowable and expended.

Compliance:

The Deputy Treasurer will review claims with the Director of Student Services and the Treasurer before submission to insure that the costs are allowable and expended.

After the above reviews, all parties will complete and sign the review worksheet.

Anticipated Completion Date: January 2019, and we will continue to refine and improve our Internal Controls throughout the audit period.

FINDING 2017-008

Contact Person Responsible for Corrective Action: Nathaniel Day

Contact Phone Number: 317-462-4434

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Proportionate Share Earmarking and Reporting:

The Director of Student Services will collect Time and Effort Logs for all employees who service non-public students as part of the Special Education Grant. The Deputy Treasurer and Treasurer will review the costs associated to those employees and supply them to the Director of Student Services. The Director of Student Services will complete the Proportionate Share Report and the Business Manager will review the completed report.

After the above reviews, all parties will complete and sign the review worksheet.

Anticipated Completion Date: January 2019, and we will continue to refine and improve our process throughout the audit period.



(Signature)

Treasurer

(Title)

12-13-18

(Date)



(Signature)

Interim Business Manager

(Title)

12-13-18

(Date)

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

COMPENSATION AND BENEFITS

The Greenfield-Central Community School Corporation Administrative Contract and Fringe Benefits Addendum (Administrator Addendum) from 2015-2016 stated: "Administrators shall have the opportunity to select a health insurance plan from those plans offered by the Greenfield-Central Community School Corporation (Corporation) and the Corporation will pay all but \$4,000 of the highest premium annual rate."

The Administrator Addendum from 2016-2017 stated: "Administrators, who participated in the Greenfield Community School Corporation's (Corporation) Health Insurance program in the 2016 plan year, shall have the opportunity to select a health insurance plan from the plans offered in 2017, and the Corporation will pay all but \$4,000.00 of the highest annual premium rate. The board share established for this group in 2017 will be used as the defined benefit for subsequent plan years. The Corporation will pay all but \$1,000.00 of the standard Consumer-Driven Health Plan (CDHP1) for Administrators hired after January 1, 2017."

Per the Administrator Addendum the administrators are identified as listed:

- Superintendent of Schools
- Assistant Superintendent
- Business Manager
- Associate Superintendent
- Principals
- Assistant Principals
- High School Athletic Director
- Director of Special Education
- Assistant Director of Special Education
- Technology Operations Director
- Transportation Director
- Maintenance Director

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT
(Continued)

The administrators who chose a lower premium insurance plan were paid the difference between the premiums through an insurance rebate, which was included as additional compensation, which negated any employee contribution to the insurance premium. Certain administrative employees had received compensation for health insurance premiums and had not paid any part of the premiums.

Based upon the insurance rates, for the 2015-2016 and 2016-2017 school years, the School Corporation has provided insurance rebates to administrators and at least three administrative support staff of \$462,847.03 and \$536,412.88, respectively. For 2015-2016 and 2016-2017, the individual employee rebates ranged from \$4,656.23 to \$18,515.33 and \$3,444.04 to \$22,227.48, respectively.

IC 5-10-8-2.6 allows for the school corporation to provide programs of insurance for all its employees and retired employees. Group insurance may cover both instructional and non-instructional employees or a person who provides personal services to the unit under contract during the contract period. However, it also allows for a school corporation to exclude part-time employees and persons who provide services to the unit under contract from any group insurance coverage that the public employer provides to the employer's full-time employees. Finally, it provides that a public employer may pay, as supplemental wages, an amount equal to the deductible portion of group health insurance as long as payment of the supplemental wages will not result in the payment of the total cost of the insurance by the public employer.

Official Opinion 21 issued June 17, 1957, by the Attorney General held that according to IC 19-10-4 (now IC 5-10-8), governmental units may participate in paying for group insurance to any extent short of full payment so long as the requirement regarding the appropriation of funds is fulfilled.

The Attorney General in Official Opinion 44 issued in 1966, provided that a governmental unit may contribute toward the insurance on legal dependents of the employee, that is, the dependents for whom the employee is required by law to pay their medical expenses. This would include the employee's spouse and minor dependent children.

GREENFIELD-CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 13, 2018, with Ruthann Fisher, Treasurer; Dr. Harold E. Olin, Superintendent of Schools; Nathaniel Day, Interim Business Manager; Retta Livengood, School Board member; and Daniel Brown, President of the School Board.