

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MISSISSINEWA COMMUNITY SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
02/27/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jill Townsend	07-01-15 to 06-30-19
Superintendent of Schools	Tab McKenzie	07-01-15 to 06-30-19
President of the School Board	Dennis Banks	01-01-15 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MISSISSINEWA COMMUNITY  
SCHOOL CORPORATION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the Mississinewa 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 that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

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

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

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

December 20, 2018

MISSISSINEWA COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2017-001***

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

*Repeat Finding*

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

*Condition*

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer was the person solely responsible for preparing and submitting the SEFA. There was no segregation of duties documented, such as an oversight, review, approval process, or other compensating control.

*Context*

The lack of controls was a systemic problem throughout the audit period. The SEFA contained the following errors:

1. The Child Nutrition Cluster programs were not identified separately.
2. The Title I Grants to Local Educational Agencies were not properly classified.
3. The Special Education Cluster (IDEA) programs were not properly reported.
4. The School Corporation omitted some grants.

In total, the SEFA was overstated in fiscal year 2016 by \$2,761,098, and in fiscal year 2017 by \$3,039,864. 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. . . ."

MISSISSINEWA COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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.
- (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*.

MISSISSINEWA COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, 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 2017-002**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

*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 Lunch fund balance exceeded the 3 months average expenditures in 7 of the 24 months during the audit period. The 3 months average of expenditures for the School Lunch fund for fiscal year 2015-2016 and fiscal year 2016-2017 was \$389,485 and \$389,468, respectively. During the 7 months that the School Corporation was not in compliance, the balance exceeded the average expenditures in amounts from \$3,860 to \$124,134.

*Context*

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

*Criteria*

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

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

MISSISSINEWA COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:  
. . .

(iv) Limit its net cash 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, which would include segregation of duties, enabled noncompliance 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.

MISSISSINEWA COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-003***

Subject: School Breakfast Program, National School Lunch Program - 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 partial repeat finding from the immediately prior audit. The prior audit finding number was 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 Reporting compliance requirement.

The School Corporation prepared and submitted the annual School Food Authority (SFA) Verification Collection Report and LEA Second Review of Applications Report for both fiscal year 2015-2016 and fiscal year 2016-2017 without evidence of a proper system of oversight or review.

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

MISSISSINEWA COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting 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 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

# MISSISSINEWA COMMUNITY SCHOOLS

## ADMINISTRATION OFFICE

424 EAST SOUTH "A" STREET  
GAS CITY, INDIANA 46933  
PHONE: (765)674-8528  
FAX: (765)674-8529

OFFICE OF  
TAB H. MCKENZIE, SUPERINTENDENT  
LEZLIE A. WINTER, ASSISTANT SUPERINTENDENT  
JILL S. TOWNSEND, DIRECTOR OF BUSINESS AFFAIRS

## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Jill Townsend  
Contact Phone Number: 765-674-8528

Views of Responsible Official: We concur with the finding

### Description of Corrective Action Plan:

The Director of Business Affairs will no longer report Special Ed Coop Pass-Through federal grants on the SEFA. The Director of Business Affairs will break down the Child Nutrition Cluster, make sure all federal grants are listed and not include Title 2A as part of Title I.

Anticipated Completion Date: July 1, 2019

  
(Signature)

  
(Title)

  
(Date)

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JILL S. TOWNSEND, DIRECTOR OF BUSINESS AFFAIRS

## CORRECTIVE ACTION PLAN

### ***FINDING 2017-002***

Contact Person Responsible for Corrective Action: Jill Townsend & Amanda Worrick  
Contact Phone Number: 765-674-8528

Views of Responsible Official: We concur with the finding

### Description of Corrective Action Plan:

The Director of Child Nutrition has already received a waiver for 2017-18 and 2018-19 excess three month cash balances, as she is planning for renovations for three cafeterias.

The Director of Child Nutrition received a waiver from the DOE in 2015 to not increase lunch prices due to the excess balance.

Anticipated Completion Date: Completed July 1, 2017

  
(Signature)

Director of Business Affairs  
(Title)

12/17/18  
(Date)

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## CORRECTIVE ACTION PLAN

### **FINDING 2017-003**

Contact Person Responsible for Corrective Action: Jill Townsend & Amanda Worrick  
Contact Phone Number: 765-674-8528

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of Child Nutrition has the Director of Business Affairs check and sign the annual School Food Authority (SFA) Verification Collection Report for evidence of a proper system of oversight or review.

Anticipated Completion Date: Completed July 1, 2017

Jill Townsend  
(Signature)

Director of Business Affairs  
(Title)

12/17/18  
(Date)

MISSISSINEWA COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Jill Townsend, Treasurer; Tab McKenzie, Superintendent of Schools; Lezlie Winter, Assistant Superintendent of Schools; Mike Crouch, School Board member; Denny Smith, School Board member; and Dennis Banks, President of the School Board.