

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEW CASTLE COMMUNITY SCHOOL CORPORATION

HENRY COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
03/15/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Megan Bell	07-01-13 to 06-30-19
Superintendent of Schools	Stephen Fisher Stephen Welsh (interim) Dr. Matthew Shoemaker	07-01-13 to 05-31-17 06-01-17 to 09-30-17 10-01-17 to 06-30-21
President of the School Board	Dr. Mark Davisson Nan Polk Elizabeth Whitmer Jamey Marcum	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE NEW CASTLE COMMUNITY
SCHOOL CORPORATION, HENRY COUNTY, INDIANA

This report is supplemental to our audit report of the New Castle 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 20, 2018

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Adult Education - Basic Grants to States - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Adult Education - Basic Grants to States
CFDA Number: 84.002
Federal Award Numbers and Years (or Other Identifying Numbers): AE5-25, AE6-25, C1-5-AE-4-25
Pass-Through Entity: Indiana Department of Workforce Development
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

During the audit period, the School Corporation made purchases with the grant funds that did not provide services or instruction, such as a vacuum, gift cards, and wax melts. These purchases did not meet the requirements of the grant agreement.

There was no control procedure in place to ensure that all employees paid from the Adult Education - Basic Grants to States programs were allowed.

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). . . ."

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment B, section 20 states: "**Goods or services for personal use.** Costs of goods or services for personal use of the governmental unit's employees are unallowable regardless of whether the cost is reported as taxable income to the employees."

2 CFR 200.445(a) states: "Costs of goods or services for personal use of the non-Federal entity's employees are unallowable regardless of whether the cost is reported as taxable income to the employees."

34 CFR 463.30 states:

"The term 'adult education and literacy activities' means programs, activities, and services that include:

- (a) Adult education,
- (b) Literacy,
- (c) Workplace adult education and literacy activities,
- (d) Family literacy activities,
- (e) English language acquisition activities,
- (f) Integrated English literacy and civics education,
- (g) Workforce preparation activities, or
- (h) Integrated education and training."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, enabled noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

There were no questioned costs.

Recommendation

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

NEW CASTLE 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 2017-002

Subject: Adult Education - Basic Grants to States - Suspension and Debarment
Federal Agency: Department of Education
Federal Program: Adult Education - Basic Grants to States
CFDA Number: 84.002
Federal Award Numbers and Years (or Other Identifying Numbers): AE5-25, AE6-25, C1-5-AE-4-25
Pass-Through Entity: Indiana Department of Workforce Development
Compliance Requirement: Procurement and Suspension and Debarment
Audit Finding: Material Weakness

Condition

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties regarding suspension and debarment when considering subgrants.

Context

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment 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 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.

FINDING 2017-003

Subject: Special Education Cluster (IDEA) - Activities Allowed or Unallowed

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-044-PN01, 14216-042-PN01,
45715-044-PN01, 45716-042-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Activities Allowed or Unallowed

Audit Finding: Significant Deficiency

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 was a member school corporation of the New Castle Area Special Services Cooperative (Cooperative). The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations. Since the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, the School Corporation was ultimately responsible for following the compliance requirements.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 or Unallowed compliance requirement.

There was no control procedure in place to ensure payroll expenditures from the special education programs were for allowable activities.

Context

The lack of controls was isolated to the first year of 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 Activities Allowed or Unallowed 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 Activities Allowed or Unallowed 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 Activities Allowed or Unallowed compliance requirement.

Views of Responsible Officials

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-004

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): 14215-044-PN01, 14216-042-PN01,
45715-044-PN01, 45716-042-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Significant Deficiency

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 was a member of the New Castle Area Special Services Cooperative (Cooperative). The School Corporation provided oversight of the Cooperative through the Superintendent of Schools who served as a member of the Cooperative Board. However, the Cooperative had not established an effective internal control system in relation to the Allowable Costs/Cost Principles compliance requirement.

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.

There was no control procedure in place to ensure that all employees paid from the special education programs were allowed.

Context

The lack of controls was isolated to the first year of 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). . . . "

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles 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 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 2017-005

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): 14216-042-PN01, 14217-042-PN01,
45716-042-PN01, 45717-042-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 Level of Effort - Maintenance of Effort (MOE) requirements.

The School Corporation did not include consistent categories in the 2016-2017 expenditures reported in the fiscal year 2018 application for MOE determination. Two expense categories used in previous years were not included in the expenditures for 2016-2017. Additionally, one of the expense amounts included was not properly added and an incorrect amount was included. Based on the exclusion of two categories and the erroneous amount, the 2016-2017 expenditures used for MOE determination were understated by \$69,657.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and the noncompliance were an isolated instance related to the 2016-2017 expenditure reporting.

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 200.302 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. . . . "

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

Cause

Management had not developed a system of internal controls to ensure compliance with the MOE requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, enabled noncompliance with the grant agreement and the MOE requirements.

NEW CASTLE 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 the MOE requirements.

Views of Responsible Officials

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

FINDING 2017-006

Subject: Title I Grants to Local Educational Agencies - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014,
15-3445, 16-3445, 17-3445

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

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 2015-003.

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 or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Activities Allowed or Unallowed

During the audit period, there was no control procedure in place to ensure that all employees paid from Title I were allowed. This could have led to ineligible employees getting paid from the Title I grant.

Additionally, the School Corporation did not comply with the Activities Allowed or Unallowed compliance requirement as there were four expenses for unallowed activities. The expenses included decorative classroom items, food, and beverages.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Allowable Costs/Cost Principles

During the audit period, there was no control procedure in place to ensure the accuracy of the Personnel Activity Reports. Also, time and effort distribution records were not maintained for two individuals working on multiple activities or cost objects paid from the Title I fund. This could have caused an employee to be paid an improper amount from Title I funds. Additionally, the School Corporation did not maintain proper time and effort for an individual paid with Title I funds.

There were also four expenses determined to be unallowable costs. The expenses included decorative classroom items, food, and beverages.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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 or Unallowed and Allowable Costs/Cost Principles 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: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014, 15-3445, 16-3445, 17-3445

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not follow guidelines for Annual Report and High School Graduation Rates. There were five instances in the testing that lacked appropriate mobility documentation.

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). . . ."

34 CFR 200.34(b)(3) states:

"To remove a student from the cohort, a school or LEA must confirm in writing that the student—

- (i) Transferred out, such that the school or LEA has official written documentation that the student enrolled in another school or educational program from which the student is expected to receive a regular high school diploma, or a State-defined alternate diploma for students with the most significant cognitive disabilities;
- (ii) Emigrated to another country;
- (iii) Transferred to a prison or juvenile facility after an adjudication of delinquency, and is enrolled in an educational program from which the student is expected to receive a regular high school diploma, or a State-defined alternate diploma for student with the most significant cognitive disabilities, during the period in which the student is assigned to the prison or juvenile facility; or
- (iv) Is deceased."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

NEW CASTLE 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 the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2017-008

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability,
Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals,
Special Tests and Provisions - Assessment System Security

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014,
15-3445, 16-3445, 17-3445

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Special Tests and Provisions - Comparability, Special Tests and
Provisions - Highly Qualified Teachers and Paraprofessionals,
Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

Condition

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

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties related to the compliance requirements identified above. Only one employee was responsible for maintaining compliance with each of these special tests and provisions with no review or monitoring involved.

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:

NEW CASTLE 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 compliance requirements identified above.

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 compliance requirements identified above.

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 compliance requirements identified above.

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: Title I Grants to Local Educational Agencies - Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014,
15-3445, 16-3445, 17-3445

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 compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

Information submitted to the Department of Education, through the real time report, used in the eligibility calculations did not agree to the School Corporation's records and was not supported by required documentation.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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). . . ."

34 CFR 200.78(a)(1) states:

"An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

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 ensure compliance with the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Eligibility compliance requirement.

Questioned Costs

There were no questioned costs identified.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Eligibility 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 2017-010

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): FY16, FY17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Cash Management

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 Cash Management compliance requirement.

The School Corporation did not comply with the requirement that the net cash resources in the School Lunch fund not exceed 3 months average expenditures for its nonprofit school food service program. The net cash resources in the School Lunch fund exceeded 3 months average expenditures for 21 out of 24 months during the audit period.

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:

NEW CASTLE 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). . . . "

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.

Effect

The failure to establish an effective internal control system 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.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-011

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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): FY16, FY17
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Finding: Material Weakness

Condition

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

There were no control procedures in place to ensure that only eligible employees were paid from the program.

Context

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles 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 or Unallowed and Allowable Costs/Cost Principles 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 2017-012

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): FY16, FY17
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 requirements.

The School Corporation did not comply with the procurement requirements for its Child Nutrition Cluster. For the expenditure examined during testing, which qualified as a small purchase, the School Corporation did not maintain any record of price or rate quotations obtained.

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:

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"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 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). . . ."

7 CFR 3016.36(b) states in part: "*Procurement standards*. (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section. . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(j) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

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

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

Cause

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

Effect

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

NEW CASTLE 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 the procurement requirements.

Views of Responsible Officials

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

FINDING 2017-013

Subject: Child Nutrition Cluster - Eligibility

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): FY16, FY17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

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 2015-004.

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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that all requirements for free and reduced price eligibility were appropriately published. No public release, containing the same information supplied to parents, including both free and reduced price eligibility criteria, was provided to the informational media, the local unemployment office, or to any major employers contemplating large layoffs in the area from which the School Corporation draws its attendance.

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:

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"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). . . ."

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced price meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria . . . The public announcement of such criteria, as a minimum, shall include the following:

- (1) Except as provided in § 245.6(b), a letter or notice and application distributed on or about the beginning of each school year, to the parents of all children in attendance at school. . . .
- (2) On or about the beginning of each school year, a public release, containing the same information supplied to parents, and including both free and reduced price eligibility criteria shall be provided to the informational media, the local unemployment office, and to any major employers contemplating large layoffs in the area from which the school draws its attendance."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Eligibility 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 2017-014

Subject: Child Nutrition Cluster - Program Income

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): FY16, FY17

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 requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the program income requirements of the grant. During the audit period, the School Corporation did not transfer program income properly. All receipts were deposited into the School Lunch fund (800) and transfers were made at the end of the month to the Prepaid Food fund (8400) to make the Prepaid Food fund reconcile to the subsidiary ledger total of individual student pre-paid account balances.

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:

NEW CASTLE 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). . . ."

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."

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)

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 enabled noncompliance with the grant agreement and the Program Income 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 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.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-015

Subject: Child Nutrition Cluster - Reporting, 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,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY16, FY17
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. 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 and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Context

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

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 and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

New Castle Community School Corporation

Community Education Center, 322 Elliott Avenue, New Castle, IN 47362

Dr. Matthew Shoemaker, Superintendent
Ms. Lisa Smith, Assistant Superintendent
Ms. Sherri Bergum, Director of Curriculum & Elementary Programs
Ms. Megan Bell, Director of Finance



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Fax: (765) 521-7268

FINDING 2017-001

Contact Persons Responsible for Corrective Action:

Chris Lamb, ABE Program Administrator
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Student incentives are no longer purchased using ABE federal funds. This was corrected in FY 2017. A system of internal controls has been established to include the review and approval of all ABE purchases by the ABE Program Administrator and Director of Finance to ensure compliance with the grant agreements.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.

A handwritten signature in black ink that reads "Megan Bell".

Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

New Castle Community School Corporation

Community Education Center, 322 Elliott Avenue, New Castle, IN 47362

Dr. Matthew Shoemaker, Superintendent
Ms. Lisa Smith, Assistant Superintendent
Ms. Sherri Bergum, Director of Curriculum & Elementary Programs
Ms. Megan Bell, Director of Finance



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FINDING 2017-002

Contact Persons Responsible for Corrective Action:

Chris Lamb, ABE Program Administrator
Megan Bell, Director of Finance


Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

This compliance requirement is currently not applicable. Effective FY 2018, New Castle Community School Corporation is no longer responsible for passing along federal ABE funds to sub recipients. Instead, federal ABE funds are paid directly to each school corporation by the State. However, if NCCSC were to be the LEA in the future and pass federal funds along to sub recipients, internal controls will be established to ensure proper documentation is obtained to verify status of sub recipients.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

New Castle Community School Corporation

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Ms. Lisa Smith, Assistant Superintendent
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FINDING 2017-003

Contact Persons Responsible for Corrective Action: Dr. Amy Blake, Special Education Director
Megan Bell, Director of Finance

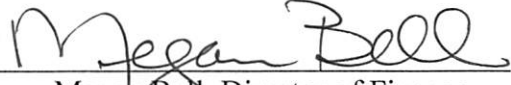
Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding. This is a repeat from FY2014 and FY2015 audit, and a corrective action plan was put in place at the conclusion of the June 2016 audit.

Description of Corrective Action Plan:

NCCSC established more effective internal controls in FY 2017 to comply with the grant agreement. The Director of Special Education provides the Director of Finance and Deputy Treasurer semi-annual certifications of employees and contracted employees paid from federal awards to document all employees paid from federal funds. Employees paid from special education grants are confirmed by periodic certifications of payroll histories being sent to the Special Education Director for review to ensure all transactions are allowable costs.

Anticipated Completion Date: Finding was corrected in September 2016.


Megan Bell, Director of Finance
December 20, 2018

New Castle Community School Corporation

Community Education Center, 322 Elliott Avenue, New Castle, IN 47362

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Ms. Lisa Smith, Assistant Superintendent
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FINDING 2017-004

Contact Persons Responsible for Corrective Action:

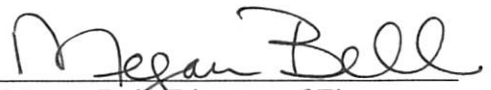
Dr. Amy Blake, Special Education Director
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding. This is a repeat from the FY2014 and FY2015 audit, and a corrective action plan was put in place at the conclusion of the June 2016 audit.

Description of Corrective Action Plan:

NCCSC established more effective internal controls in FY 2017 to comply with the grant agreement. The Director of Special Education provides the Director of Finance and Deputy Treasurer semi-annual certifications of employees and contracted employees paid from federal awards to document all employees paid from federal funds. Employees paid from special education grants are confirmed by periodic certifications of payroll histories being sent to the Special Education Director for review to ensure all transactions are allowable costs. Anticipated Completion Date: Finding was corrected in September 2016.


Megan Bell, Director of Finance
December 20, 2018

New Castle Community School Corporation

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Ms. Lisa Smith, Assistant Superintendent
Ms. Sherri Bergum, Director of Curriculum & Elementary Programs
Ms. Megan Bell, Director of Finance



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FINDING 2017-005

Contact Persons Responsible for Corrective Action:

Dr. Amy Blake, Special Education Director
Megan Bell, Director of Finance

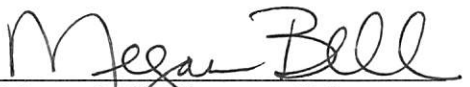
Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding and have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system, which will include requirements related to the grant agreement and the Level of Effort compliance requirement. The Level of Effort-Maintenance of Effort is completed by the Director of Finance from the financial records of the school corporation. The report will now be reviewed before submission by the Director of Special Education or designee for accuracy and consistency of categories of expenditures reported.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

New Castle Community School Corporation

Community Education Center, 322 Elliott Avenue, New Castle, IN 47362

Dr. Matthew Shoemaker, Superintendent
Ms. Lisa Smith, Assistant Superintendent
Ms. Sherri Bergum, Director of Curriculum & Elementary Programs
Ms. Megan Bell, Director of Finance



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FINDING 2017-006

Contact Persons Responsible for Corrective Action: Jean Ann McAllister, Title I Administrator
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding. This is a repeat from the FY2014 and FY2015 audit, and a corrective action plan addressing the Personnel Activity Report was put in place at the conclusion of the June 2016 audit. Additional controls are needed to comply with the Activities Allowed and Allowable Costs compliance requirements and to ensure the accuracy of the Personnel Activity Reports.

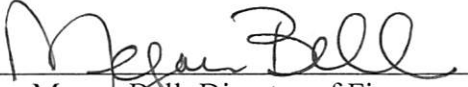
Description of Corrective Action Plan:

NCCSC established more effective internal controls in FY 2017 to comply with the grant agreement. Employees paid from Title I grants are confirmed by periodic certifications of payroll histories being sent to the building principal for review to ensure all transactions are allowable costs.

NCCSC will establish a more effective internal control system to ensure all transactions are allowable and approved by the grant administrator. Title I building principals and secretaries will receive annual communication/training from the grant administrator related to activities allowed and allowable costs, programming, and compliance documentation for Title I. Evidence of training will include attendance records. In addition, any purchase of food items will require pre-approval as part of approved parent involvement activities and must meet the test of parent involvement. Professional development must also demonstrate compliance in benefiting the lowest achieving students through approved strategies.

NCCSC will establish a more effective internal control system, which will include a proper segregation of duties, to ensure the accuracy of Personnel Activity Reports. Semi-annual certifications, listing employees paid strictly from Title I funds, will be compiled at each building twice a year and then reviewed by both the Title I Administrator and the Human Resource Specialist. Reviews will include an internal sign-off document to verify the control is being met. In addition, time and effort logs will be maintained by split-funded employees and compiled at each building. The time and effort logs will be submitted monthly for review by both the Title I Administrator and Human Resource Specialist. Reviews will include an internal sign-off document to verify the control is being met.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

New Castle Community School Corporation

Community Education Center, 322 Elliott Avenue, New Castle, IN 47362

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Ms. Lisa Smith, Assistant Superintendent
Ms. Sherri Bergum, Director of Curriculum & Elementary Programs
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FINDING 2017-007

Contact Persons Responsible for Corrective Action:

Jean Ann McAllister, Title I Administrator
Megan Bell, Director of Finance


Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding and have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system which will follow guidelines and meet compliance requirements related to the Annual Report Card/High School Graduation Rate. The building secretary will make every effort to obtain proper documentation related to student withdrawals. If a parent or guardian cannot be located to complete the required withdrawal paperwork, a missing student letter will be mailed to the address on file, and a copy of the letter will be included in the student's perm file. The State Application site will also be utilized to actively search for the student's enrollment in another school corporation in the State of Indiana. Documentation of searches will also be maintained in the student's perm file. If a student is still unable to be located, the school principal or designee must review documentation and sign off to verify all efforts to locate student have been exhausted.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

New Castle Community School Corporation

Community Education Center, 322 Elliott Avenue, New Castle, IN 47362

Dr. Matthew Shoemaker, Superintendent
Ms. Lisa Smith, Assistant Superintendent
Ms. Sherri Bergum, Director of Curriculum & Elementary Programs
Ms. Megan Bell, Director of Finance



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FINDING 2017-008

Contact Persons Responsible for Corrective Action:

Jean Ann McAllister, Title I Administrator
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding and have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

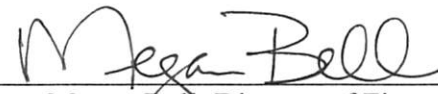
NCCSC will establish a more effective internal control system to include a proper segregation of duties regarding Comparability, Highly Qualified Teachers and Paraprofessionals, and Assessment and System Security.

Comparability reports compiled by the Title I Administrator will be reviewed and signed off by the Human Resource Specialist prior to submission.

Building principals will maintain a list of teachers and instructional assistants identifying whether the individual is highly qualified or not. All building lists will be submitted to the Human Resource Specialist upon completion for review and verification. Within 90 days, the HR Specialist will check to ensure all teachers or instructional assistants are highly qualified. Supporting documentation of an employee's HQ status will be maintained in the employee's personnel file.

Training and education will be given to all staff members related to the Assessment System Security requirements. The Corporation Testing Coordinator, with the assistance of the Support Specialist, will review and verify the signed documentation from all employees. The Corporation Testing Coordinator will notify the Superintendent and/or the Assistant Superintendent of any employees not meeting this requirement. Employees opting not to comply with the Assessment System Security requirement will be disciplined accordingly.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

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FINDING 2017-009

Contact Persons Responsible for Corrective Action:

Jean Ann McAllister, Title I Administrator
Megan Bell, Director of Finance


Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding and have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system to ensure compliance with the grant agreement and the Eligibility compliance requirement. The Director of Finance will work with the Support Specialist and Student Report Support to determine the differences in the eligibility calculations submitted to DOE with the unit's records. Then going forward, the Title I Director will verify with the Support Specialist the eligibility calculations being submitted to DOE agree with the unit's records using the Real Time report for the corresponding period.

Anticipated Completion Date: Corrective Action Plan was fully implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

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FINDING 2017-010

Contact Persons Responsible for Corrective Action:

Dee Orick, Food Service Director
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding. Controls were implemented in FY 2017 and we have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system to ensure compliance with the grant agreement and the Cash Management compliance requirement. The Food Service Director currently has a plan in place to spend down the school lunch funds exceeding the 3 months average expenditures. The plan is updated annually based on the current food service balance. The Food Service Director began maintaining a plan during the 2015/2106 school year and the plan was submitted to the IDOE Food and Nutrition Department in November 2017. The Food Service Director will also submit the plan to the Director of Finance quarterly for review.

Anticipated Completion Date: Corrective Action Plan was fully implemented immediately following the conclusion of the audit on December 20, 2018.

A handwritten signature in black ink that reads "Megan Bell".

Megan Bell, Director of Finance
December 20, 2018

New Castle Community School Corporation

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FINDING 2017-011

Contact Persons Responsible for Corrective Action:

Dee Orick, Food Service Director
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding and have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Semi-annual certifications, listing employees paid strictly from the federal program, will be compiled by the Food Service Director twice a year and then reviewed by the Human Resource Specialist for accuracy. Reviews will include an internal sign-off verifying the control is being met. Employees paid from the Food Service Fund will be confirmed by periodic certifications of payroll histories being sent to the Food Service Director for review to ensure all transactions are allowable costs.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.

A handwritten signature in cursive script that reads "Megan Bell".

Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

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FINDING 2017-012

Contact Persons Responsible for Corrective Action:

Dee Orick, Food Service Director
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

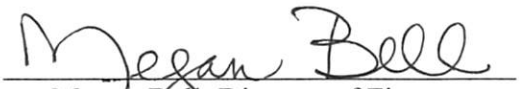
Views of Responsible Official: We concur with the finding and have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system to ensure compliance with the grant agreement and the Procurement compliance requirement. The Food Service Director will submit to the Director of Finance a request to purchase for all purchases that qualify as “small purchases” under the procurement plan submitted to the IDOE beginning in school year 2018/2019. The Director of Finance will review the request and supporting documentation required for “small purchases” and sign off that the item does qualify as a “small purchase” before the request to purchase is processed.

In FY 2019, the Food Service Secretary started verifying all vendors providing goods and/or services are in good standing by checking the Sam Exclusions; or collecting a certification from that person; or adding a clause or condition to the covered transaction with that person. The Food Service Director will be the second review of documentation to verify NCCSC is in compliance with 2 CRF 180.300.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

New Castle Community School Corporation

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FINDING 2017-013

Contact Persons Responsible for Corrective Action:

Dee Orick, Food Service Director
Megan Bell, Director of Finance

Contact Phone Number: 765-521-7201

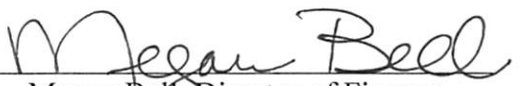
Views of Responsible Official: We concur with the finding and have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system to ensure compliance with the grant agreement and the Eligibility compliance requirement. The Food Service Director will provide a public release at the start of each school year to the informational media, the local unemployment office, and to any major employers contemplating large layoffs in the area from which the school draws its attendance. The public release will contain the same information supplied to parents, including both free and reduced price eligibility criteria.

To verify eligibility for the program, the Food Service Director will randomly pull 10% of all paper applications, not previously verified through verification for cause and/or state mandated verification, and confirm the eligibility determination was correct. The number of qualifying applications will be reported along with the number of applications pulled for random verification. The names of all students listed on the application will be included in the report. If more than 2% of the 10% are found to be incorrect, all applications will be pulled and the eligibility determination will be verified. The findings of this verification will be kept with the paper applications qualifying for verification. The Food Service Director has randomly verified applications since the 2014/2015 school year without the findings being retained for documentation purposes. Documentation will begin for the 2018/2019 school year.

Anticipated Completion Date: Corrective Action Plan was implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

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FINDING 2017-014

Contact Persons Responsible for Corrective Action: Dee Orick, Food Service Director
Megan Bell, Director of Finance

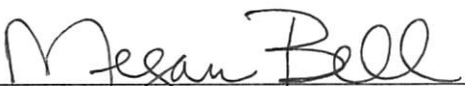
Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding. However, this finding was corrected at the start of the 2017/2018 school. Existing controls are included to verify the recommendation has been met.

Description of Corrective Action Plan:

In August 2017, NCCSC established a more effective internal control system to ensure compliance with the grant agreement and the Program Income requirement. A Prepaid Food Fund was established at the end of FY 2015 to account for prepaid food. Starting in July 2017, all food service collections were receipted in the Prepaid Food Fund. Monthly transfers are then made to the School Lunch Fund to appropriately classify the meals charged by students. The Food Service Director sends the Director of Finance subsidiary ledgers at the close of each month to assist in the reconciliation of the Prepaid Food Fund. Beginning in December 2018, the Food Service Director will review and sign off on the Prepaid Food Fund reconciliation prepared monthly by the Director of Finance.

Anticipated Completion Date: Corrective Action Plan was fully implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

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FINDING 2017-015

Contact Persons Responsible for Corrective Action:

Dee Orick, Food Service Director
Megan Bell, Director of Finance


Contact Phone Number: 765-521-7201

Views of Responsible Official: We concur with the finding. Controls were implemented in FY 2018 and we have included additional controls to meet the recommendation.

Description of Corrective Action Plan:

NCCSC will establish a more effective internal control system to include a proper segregation of duties related to Verification of Free and Reduced Meal Price Applications (NSLP) and School Food Accounts. The Food Service Director currently performs the annual verification of free and reduced price applications required by the USDA and IDOE. Beginning in January 2019 the Food Service Secretary will review and verify the information is accurate and complete prior to submission to IDOE for approval. In FY 2017, the Food Service Director began sending the quarterly and annual financial reports to the Director of Finance to review for accuracy and approval prior to submission.

Anticipated Completion Date: Corrective Action Plan was fully implemented immediately following the conclusion of the audit on December 20, 2018.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

NEW CASTLE COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B46748.

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances:

<u>Fund</u>	<u>Amount Overdrawn 06-30-16</u>	<u>Amount Overdrawn 06-30-17</u>
School Technology	\$ 166,720	\$ -
Formative Assessment	-	1,888

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

New Castle Community School Corporation

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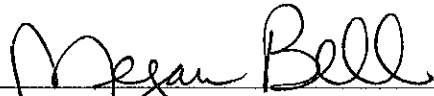
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The School Technology Fund had a negative balance during the last two audit periods due to not receiving E-rate funding in a timely manner. Upon approval of our Funding Year 2014 E-rate Plan, the corporation committed to carrying out the plan as presented. The corporation entered into a contract with a vendor with the intention of using E-rate reimbursements to assist in the payment of the contract. However, when invoices were submitted to Universal Service Administrative Co. (USAC) for reimbursement, E-rate funds were not paid in a timely manner, and USAC willfully withheld funding that had already been approved through the Federal E-rate Program. The corporation made several requests for payment to USAC over a two-year period. A payment in the amount of \$275,510.33 was eventually received on 10/03/2016 from USAC.

A timing issue is the cause for the Formative Assessment fund being in the negative on June 30, 2017. Formative assessment tools being utilized for the 2017-18 school year were purchased prior to the start of the school year, but funding was not received from the State until October 2017.


Megan Bell, Director of Finance
December 20, 2018

AN EQUAL OPPORTUNITY EMPLOYER

NEW CASTLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Jamey Marcum, President of the School Board; Megan Bell, Treasurer; and Dr. Matthew Shoemaker, Superintendent of Schools.