

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

GARRETT-KEYSER-BUTLER COMMUNITY
SCHOOL DISTRICT
DEKALB COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/21/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pamela S. Good	07-01-16 to 06-30-19
Superintendent of Schools	Dennis Stockdale (Vacant) Tonya K. Weaver	07-01-16 to 07-22-16 07-23-16 to 08-31-16 09-01-16 to 06-30-20
President of the School Board	Terry Yarde Larry W. Getts, Jr. Wayne E. Funk	07-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
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TO: THE OFFICIALS OF THE GARRETT-KEYSER-BUTLER COMMUNITY
SCHOOL DISTRICT, DEKALB COUNTY, INDIANA

This report is supplemental to our audit report of the Garrett-Keyser-Butler Community School District (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings pertaining 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, is 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

February 14, 2019

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
FEDERAL FINDINGS

FINDING 2018-001

Subject: Child Nutrition Cluster - Internal Controls
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Number: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Procurement and Suspension and Debarment
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-003 from the immediately prior audit as it pertains to Procurement.

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 listed above.

Eligibility

The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by applicants or school personnel. There was one employee exclusively entering the information into the food service software. The School Corporation had established an internal control policy over eligibility as recommended by the Indiana Department of Education; however, there was no evidence provided to support that the policy was properly implemented.

Procurement

The School Corporation utilized an educational service center for food service bids. The educational service center administered the bidding process, as well as verified that the vendors were not suspended or debarred. The educational service center made a recommendation to the School Corporation for the winning bids. However, there were no controls in place to ensure that the School Corporation and School Board formally approved the bids or awarded the contracts to the successful bidders. An oversight, review, or approval process had not been established.

Context

Internal control issues were systemic, occurring throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
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 that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-002

Subject: Head Start - Allowable Costs/Cost Principles
Federal Agency: Department of Health and Human Services
Federal Program: Head Start
CFDA Number: 93.600
Federal Award Number and Year (or Other Identifying Number): 05CH010363/02
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement to ensure that all costs charged to the Head Start program were allowable.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Disbursements made by the School Corporation out of the Head Start funds for payroll, technology, medical, transportation, and maintenance expenses were paid without adequate documentation to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not have a program approved indirect cost rate plan, and many of these expenses were identified as indirect costs. The costs in question totaled \$36,490.

Context

Internal control issues were systemic, occurring throughout the audit period, and enabled noncompliance with the Allowable Costs/Cost Principles compliance requirement.

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 200.403 states in part:

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

- (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. . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

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

Effect

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs identified totaled \$36,490.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to 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 2018-003

Subject: Head Start - Matching

Federal Agency: Department of Health and Human Services

Federal Program: Head Start

CFDA Number: 93.600

Federal Award Numbers and Years (or Other Identifying Numbers): 05CH010363/01, 05CH010363/02

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the matching requirements to ensure that the required non-federal share of program expenditures were met.

For the award 05CH010363/01, closed-out on December 31, 2016, the School Corporation's Head Start program total non-federal share was 8 percent (\$74,726) less than the required 20 percent match. For the award 05CH010363/02, closed-out on December 31, 2017, the School Corporation's Head Start program total non-federal share was 5 percent (\$124,819) less than the required 20 percent match.

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Context

Internal control issues were systemic, occurring throughout the audit period, and enabled noncompliance with the matching requirements.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.300(b) states in part: "The non-Federal entity is responsible for complying with all requirements of the Federal award. . . ."

2 CFR 200.306(b) states:

"For all Federal awards, any shared costs or matching funds and all contributions, including cash and third party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award;
- (3) Are necessary and reasonable for accomplishment of project or program objectives;
- (4) Are allowable under Subpart E—Costs Principles of this part;
- (5) Are not paid by the Federal Government under another Federal award except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- (6) Are provided for in the approved budget when required by the Federal awarding agency; and
- (7) Conform to other provisions of this part, as applicable."

Cause

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls enabled noncompliance to go undetected. The failure to comply with the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the matching requirements.

Views of Responsible Officials

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

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT

TRANSFORMING EDUCATION, IMPACTING LIVES

SUPERINTENDENT
Tonya K. Weaver



BOARD OF EDUCATION
Wayne E. Funk - President
Tamara L. Best - Vice President
Dr. Danny E. Weimer - Secretary
Larry W. Getts, Jr. - Member
Jerry A. Weller - Member

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Pamela Good
Contact Phone Number: 260-357-7004

Views of Responsible Official: The school corporation will incorporate additional internal controls regarding eligibility determinations and submission of the Region 8 bids to the School Board.

Description of Corrective Action Plan:

For Eligibility; the School Corporation will follow the most current USDA and State rules and regulations to determine eligibility of Free and Reduced meals. The internal controls procedure listed has been put into place.

1. We will print a list of all applications received (print and online). This is obtained through the Meal Magic software and is a list of all manually entered applications for the current school year.
2. We will select 10% of the applications listed for review (recalculate the determination).
3. The person performing the review will sign/initial and date a copy of the Meal Magic determination/application sheet. If an application was initially submitted on paper and then the data was entered into Meal Magic, the person who entered the data will have already signed the original, and it will be stapled to the reviewed copy.
4. The person that completes the 10% review will be a different person than the one that enters application data into the Meal Magic system.
5. This process will be completed in October of each year.
6. A separate folder or file will be created to keep documentation (the full list of applications (with a count total), a list of the 10% selected for review (with a count total), copies of the signed reviewed applications/determinations, a cover-sheet that explains the process and when it was completed (signed by the person that performs it).

For Procurement; this finding was discovered at the last audit in December 2017. At that time, a corrective action plan was developed. The School Lunch Director reviews the bids from Region 8. The bid is forwarded to the Business Manager. The bids are then presented to the School board for approval, and upon approval, returned to the School Lunch Director and Region 8.

Anticipated Completion Date:

For Eligibility; the school Lunch Director and Business Manager will implement this process immediately.
For Procurement; this process is in place and ongoing.

Excellence in Education, Strength in Character

FINDING 2018-002

Contact Person Responsible for Corrective Action: Pamela Good
Contact Phone Number: 260-357-7004

Views of Responsible Official: The School Corporation will incorporate additional internal controls related to the Head Start grant agreement and the Allowable Costs/Cost Principles compliance requirement. Prior to the origination of an annual invoice for Head Start from Garrett-Keyser-Butler CSD, verbal discussions were held with the management of Head Start based in Chicago. This group oversees the fiscal operations of the grant. From the conversation, GKB was instructed to use the cost allocation method to invoice Head Start for services provided by the school. This was the method chosen because the school has not applied for or ever received an indirect cost rate. Costs were determined for Human Resources, accounting, transportation, medical, maintenance, and technology. In addition, and upon receiving documentation from the Indiana Department of Education, the following is listed in their Indirect Rate documentation, "If an LEA has never received an approved negotiated indirect cost rate, the LEA may apply the de minimis rate." The de minimis rate as noted in 2 CFR 200.414 is 10%. Garrett-Keyser-Butler did not elect to use the 10%, but based on factual and calculated expenses, the school was able to substantiate a percentage around 2%, which was charged to the Head Start grant.

Description of Corrective Action Plan: The School Corporation will incorporate additional controls in the preparation of the annual invoice, and only charge direct costs to the Head Start program that can be substantiated through time records for payroll and documented visits for medical costs.

Anticipated Completion Date: The Business Manager will implement this process immediately.

FINDING 2018-003

Contact Person Responsible for Corrective Action: Pamela Good
Contact Phone Number: 260-357-7004

Views of Responsible Official: The School Corporation will incorporate additional internal controls, related to the Head Start grant to ensure compliance with the Matching compliance requirement.

Description of Corrective Action Plan: The Head Start Director and Business Manager will monitor the non-federal expenses monthly and complete the process for a waiver in a timely manner. The Head Start Director and Business Manager will monitor this process and verify the waiver has or has not been granted.

Anticipated Completion Date: The Head Start Director and Business Manager will implement this process immediately.

Pamela Good

(Signature)

Business Manager

(Title)

2/13/2019

(Date)

GARRETT-KEYSER-BUTLER COMMUNITY SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 14, 2019, with Pamela S. Good, Treasurer; Tonya K. Weaver, Superintendent of Schools; Wayne E. Funk, President of the School Board; Tamara Best, School Board member; and Larry Getts Jr., School Board member.