

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL TOWN OF MUNSTER

LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/21/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Financial Transactions and Reporting	4-5
Finding 2018-002	
Child Nutrition Cluster - Internal Controls	5-7
Finding 2018-003	
Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income	7-9
Finding 2018-004	
Child Nutrition Cluster - Cash Management	10-11
Finding 2018-005	
Child Nutrition Cluster - Equipment.....	12-13
Finding 2018-006	
Child Nutrition Cluster - Procurement and Suspension and Debarment	14-17
Finding 2018-007	
Child Nutrition Cluster - Reporting	18-19
Finding 2018-008	
Special Education Cluster (IDEA) - Earmarking, Reporting.....	19-21
Finding 2018-009	
Special Education Cluster (IDEA) - Suspension and Debarment.....	21-23
Corrective Action Plan.....	24-34
Audit Results and Comments:	
Overdrawn Cash Balances	35
Training on Internal Control Standards	35
Accounts Payable Vouchers.....	35-36
Prepaid Lunch Account Reconciliations	36
Official Response	37
Exit Conference.....	38

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Janice Swanson Sherie Breitenbach	07-01-16 to 10-31-18 11-01-18 to 06-30-19
Superintendent of Schools	Jeffrey Hendrix	07-01-16 to 06-30-19
President of the School Board	Melissa Higgason Ron Ostojic Ingrid Schwartz Wolf John J. Doherty	07-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SCHOOL TOWN OF MUNSTER, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School Town of Munster (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 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 Results and Comments as described below.

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

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

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

February 13, 2019

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to receipts, disbursements, financial reporting, and the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Receipts

One individual issued and recorded receipts, prepared the deposits, took the deposits to the bank, and reviewed the monthly reconciliation of the bank balance to the record balance without an oversight or review process.

Disbursements

There was no evidence of a consistently implemented review process by the Treasurer throughout the audit period. Also, there were not controls to ensure that the Treasurer certified disbursements when a purchase order was used as the claim.

The Payroll Specialist input, prepared, recorded, and remitted payrolls, and performed the monthly reconciliation of the bank balance to the record balance without an effective oversight or review process.

Financial Reporting

The Form 9 included the financial activity of all funds and was the basis for the financial statement. It was signed by the Treasurer, Superintendent of Schools, and President of the School Board, as required; however, there was no evidence of a review or other compensating control to ensure its accuracy before submission to the Indiana Department of Education.

SEFA

One employee prepared the SEFA without evidence of oversight or review.

Context

The lack of controls was a systemic issue throughout the audit period.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

Criteria

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

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

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

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

Cause

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish and properly implement controls over financial transactions and reporting could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

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: Child Nutrition Cluster - Internal Controls

Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Program Income, Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP),
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-003.

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 compliance requirements listed above.

Eligibility

The School Corporation did not have documented controls in place to ensure that the income guidelines used to determine eligibility by the software application were accurate after each annual update.

Program Income (Assessing and Recording)

The School Corporation had a review process in place over program income; however, the process was not consistently documented for all collection points.

Reporting

There was no documentation that an oversight or review process had been established to ensure the accuracy of the Annual Financial Reports and School Food Authority (SFA) Verification Collection Reports (Verification Summary Reports) prior to submission.

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

Eligibility verifications performed as part of the Verification Summary Reports were performed by one individual. There was no documented oversight or review process or other compensating control to ensure that eligibility determinations were accurate.

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

One individual completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCHOOL TOWN OF MUNSTER
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

The School Corporation's management had not developed or implemented a system of internal control to ensure compliance with the grant agreement and the compliance requirements listed above.

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 listed above. 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 to ensure compliance with 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 2018-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income
Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, 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 Allowable Costs/Cost Principles and Program Income compliance requirements.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

A review process of the disbursements posted to the School Lunch fund had been established; however, it was determined to be ineffective since the School Corporation failed to receive prior approval from the federal pass-through agency for the purchase of equipment over \$5,000. The purchase of the equipment, which included the use of program income funds, was not made in accordance with federal guidelines.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period as equipment purchased totaled \$426,722, which was 14 percent of program disbursements.

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 200.439 states in part:

". . . (b) The following rules of allowability must apply to equipment and other capital expenditures: . . .

- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

2 CFR 200.307(e) states in part:

"*Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. . . . When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures. . . .

- (2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award. . . ."

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(a) states in part:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*). . . ."

7 CFR 220.7(e) states in part:

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

1. . . . (ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*); . . ."

Cause

The School Corporation's management had not developed an effective internal control structure to ensure compliance with the grant agreement and ensure that federal pass-through prior approval was obtained for equipment purchases over \$5,000.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements listed above could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs of \$426,722 were identified, as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with 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.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

FINDING 2018-004

Subject: Child Nutrition Cluster - Cash Management
Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-002.

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 have documented controls in place to ensure that 3 months average expenditures were calculated for comparison to monthly cash balances or to ensure that the comparison was performed.

The School Corporation did not comply with the cash management requirement that cash balances (net cash resources) be limited to 3 months average expenditures during the audit period. The School Lunch fund monthly net cash resources exceeded 3 months average expenditures during the audit period.

Although the School Corporation indicated that a spending plan was in place for 2016-2017 and implemented during 2017-2018, no spending plan was in place for 2017-2018.

Context

The lack of controls and noncompliance were systemic issues during the audit period. The School Lunch fund monthly net cash resources exceeded 3 months expenditures for 20 of the 24 months in the audit period. Once the 2016-2017 spending plan was implemented in 2017-2018, the monthly net cash resources requirement was met; however, by June 2018, the net cash resources exceeded the 3 months average expenditures again.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCHOOL TOWN OF MUNSTER
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 resource to an amount that does not exceed three months average expenditure for tis nonprofit school food service or other such amount as may be approved by the State agency; . . ."

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Cash Management 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 to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

FINDING 2018-005

Subject: Child Nutrition Cluster - Equipment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property 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 equipment requirements.

The School Corporation did not have adequate policies and procedures to ensure that the proper equipment records were maintained in accordance with 2 CFR 200.313. The School Corporation had not created a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property.

The School Corporation did not comply with the equipment requirements. A complete list of equipment acquired with federal awards was not maintained. Also, the equipment inventory was determined to be incomplete. The inventory did not identify equipment purchased with federal awards, serial numbers or other identification numbers, or disposal dates.

The School Corporation was required to maintain property records and perform a physical inventory with the results reconciled with the property records at least once every two years. A reconciled physical inventory was not provided for audit.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.313 states in part:

". . . (b) . . . Other non-Federal entities must follow paragraphs (c) through (e) of this section.

. . .

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

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

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

...

(e) *Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

- (1) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the equipment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Equipment and Real Property Management 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 to ensure compliance and comply with the Equipment and Real Property 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.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

FINDING 2018-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior year. The prior audit finding number was 2016-004.

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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used complied with their procurement procedures or with applicable state and local requirements. An oversight, review, or approval process to ensure compliance was not established.

The School Corporation did not follow procurement requirements for purchases which exceeded the simplified acquisition threshold of \$150,000. A remodel project to expand food service operations was broken into three phases and circumvented the bidding procedures required for acquisitions over \$150,000. The Food Service Director obtained quotes and entered into contracts for each phase of the project. However, the School Corporation should have obtained bids and the Food Service Director did not have contracting authority per the School Corporation's procurement policies.

The School Corporation did not always obtain price or rate quotes for purchases of goods or services exceeding \$3,500 from an adequate number of sources, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not verify that parties with whom they entered into contracts over \$25,000 were not excluded or disqualified in accordance with the School Corporation's procurement policy.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. The remodel project total costs were \$338,516, which was 11 percent of the total School Lunch fund disbursements. The small purchases procedures applied to 24 vendors and totaled \$668,074 of disbursements, which was 22 percent of the total School Lunch fund disbursements. For each year of the audit, two vendors required suspension and debarment verification.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318(i) states:

"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.

- (c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

- (1) In order for sealed bidding to be feasible, the following conditions should be present:

- (i) A complete, adequate, and realistic specification or purchase description is available;
- (ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

(1) The item is available only from a single source;

(2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;

(3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or

(4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

School Town of Munster Procurement - Federal Grants/Funds Policy 6325 states in part: "Except as otherwise noted, procurement transactions shall conform to the provisions of the Corporation's documented general purchasing Policy [6320](#) and AG [6320A](#)."

School Town of Munster Purchasing Policy 6320 states in part:

"It is the policy of the School Board that the Director of Financial Operations or treasurer shall act as the purchasing agent for the Board. . . .

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

When the purchase of, and contract for, single items of supplies amounts to \$150,000 or more the Director of Financial Operations or treasurer shall obtain competitive bids.

Bids shall be sealed and shall be opened by a committee designated by the purchasing agent publicly in the presence of one (1) or more witnesses at the time and place fixed by the advertisement for bids. The committee must include at least two (2) Board members or at least two (2) Corporation employees. Bids must be read aloud and tabulated publicly and must be available for inspection. All orders or contracts shall be awarded to the lowest responsive and responsible bidder."

2 CFR 180.300 states:

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

You do this by:

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

Cause

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 to ensure compliance and comply with 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.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

FINDING 2018-007

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
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 Reporting compliance requirement.

The School Corporation had established a review process to ensure the accuracy of the monthly Sponsor Claims (claims for reimbursement); however, that process was not effective. The review process did not detect errors in which the claims for reimbursement were not supported by the School Corporation's financial records.

Context

The lack of controls and the inaccurate claims for reimbursement were systemic issues throughout the audit period. There were errors on four of the eight monthly claims for reimbursement tested.

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(b) states in part:

"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. . . ."

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting 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 to ensure compliance and comply with the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2018-008

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

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-062-PN01, 14217-062-PN01, 45716-062-PN01, 45717-062-PN01

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of a special education cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the compliance requirements.

An effective internal control system was not in place at the School Corporation to ensure compliance with the earmarking and reporting requirements.

Earmarking

The School Corporation did not have effective internal controls in place to ensure compliance with the earmarking requirement that they expend at least an amount that was the same proportion of the total subgrant as the number of nonpublic school students with disabilities within its boundaries was to the total of students with disabilities of the same age range.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

A spreadsheet was maintained to track the required amount of expenditures for the nonpublic schools. The spreadsheet contained a formula error, which resulted in expenditures of \$20,577 less than required to meet the earmarking requirements. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the calculations by the Cooperative.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the Quarterly Summary for Proportionate Share and the Final Financial reports were completed accurately.

The Quarterly Summary for Proportionate Share reports submitted to the IDOE were not accurate. There was a formula error for the calculation of the total benefits on the proportionate share tracking spreadsheets that were used to create the quarterly reports. The expenditures were overstated by \$24,441. The Final Financial report was also incorrect in the nonpublic proportionate share line item as noted for the Quarterly Summary for Proportionate Share reports. There was no evidence of an oversight, review, or approval process to ensure the accuracy of the reports prior to submission by the Cooperative.

Context

The lack of controls and the noncompliance were systemic issues during the 2016-2017 school year. The lack of controls overreporting of the Final Financial report was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

2 CFR 200.302(b) states in part:

"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 . . ."

Cause

The School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and the earmarking and reporting requirements.

Effect

The failure to establish an effective internal control system allowed noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements listed above 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 to ensure compliance and comply with the grant agreement and the Matching, Level of Effort, Earmarking and Reporting compliance requirements.

Views of Responsible Officials

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

FINDING 2018-009

Subject: Special Education Cluster (IDEA) - Suspension and Debarment

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): 14217-062-PN01, 18611-062-PN01,
45717-062-PN01, 18619-062-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of a special education cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the compliance requirements.

SCHOOL TOWN OF MUNSTER
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 suspension and debarment requirements.

The Cooperative failed to verify that parties with whom covered transactions were entered were not suspended or debarred from participation in federal programs. There was no evidence of an oversight, review, or approval process by the School Corporation to ensure the Cooperative's compliance with the suspension and debarment requirements.

Context

The lack of effective controls and the noncompliance were systemic issues during the 2017-2018 school year.

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 180.300 states:

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

You do this by:

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the suspension and debarment requirements could have resulted in the loss of federal funds to the School Corporation.

SCHOOL TOWN OF MUNSTER
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls to ensure compliance with 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.



CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.
We want to state that the Audit recommendation will be corrected.

Description of Corrective Action Plan:

1. Receipts: The Corporation Treasurer enters the receipts into the finical software. The deposit slip is written up by the Corporation Treasurer and checked and initialed by the Deputy Treasurer/Accounts Payable or Director of Financial Operations. The deposit is taken to the bank by Corporation Treasurer or Deputy Treasurer/Accounts Payable. When an individual walks in and gives cash or check to anyone they write a handwritten receipt and put on receipt log and turn in at the end of the day to the Corporation Treasurer. The mail is opened by Superintendents Sectary or Sectary/ Transportation Supervisor and if cash or check they write a hand written receipt and enter on receipt log. The end of the day they turn all into the Corporation Treasurer. The Corporation Treasurer pulls the bank statements each month for each bank and hands out to Payroll and Deputy Treasurer/Accounts Payable the bank statements that each are responsible to complete. The Corporation Treasurer hands out all the bank statements within the first week of the next month and all bank recon are to be done within a week. (Example: Feb. 1st to 8th Corporation Treasurer hands out the bank statements from January 2019, and bank recon be done by February 18th.) They are then reviewed by the Corporation Treasurer or Director of Financial Operations. When they are done with each bank recon they date and sign the bank statement. When the Corporation Treasurer or Director of Financial Operations reviews the bank statement the date and sign.
2. Disbursements: The Corporation Treasurer looks at each voucher claim and signs. We are going to be updating and holding meetings on the process for purchasing and payment of claims. The Payroll Specialist does not complete the bank recon for the two banks that involve payroll. They are completed by the Deputy Treasurer/Accounts Payable. The Payroll Trail Register is reviewed by Benefits Specialist and Director of Financial Operations, which they date and sign. When that is complete the Payroll Specialist can complete the payroll run. The Corporation Treasurer then approves the payroll claim that goes to the School Board each month.
3. Financial Reporting: The Form 9, Gateway Annual Financial Report, Newspaper Annual Report, and the SEFA are all going to be reviewed by the Director of Financial Operations or Deputy Treasurer/Accounts Payable.



SCHOOL TOWN *of*
MUNSTER

ADMINISTRATION CENTER
8616 COLUMBIA AVENUE • MUNSTER, INDIANA 46321
PHONE: 219-836-9111 • FAX: 219-836-3215

DR. JEFFREY HENDRIX
SUPERINTENDENT

MR. STEVEN TRIPENFELDAS
ASSISTANT SUPERINTENDENT

DR. YVONNE STOKES
ASSISTANT SUPERINTENDENT

MR. WILLIAM MELBY
DIRECTOR OF FINANCIAL OPERATIONS

Anticipated Completion Date:

1. Starting in November 2018 the deposits, bank recon, bank statements all got started. The receipts and receipt log got started 2-8-19.
2. The Corporation Treasurer seeing and signing voucher claims started in December 2018. The Payroll Specialist not completing own bank recon was done in November 2018. The Payroll Trail Register being reviewed and signed started November 2018. The Corporation Treasurer signing and approving voucher and payroll claim for School Board started with the February 2019 board meeting.
3. Starting with the Form 9 – July 1, 2018 to December 31, 2018 going to be viewed by either the Director of Financial Operations or Deputy Treasurer/Accounts Payable and signed. After November 2018 and when the listed reports come due going to be reviewed and signed by Director of Financial Operations or Deputy Treasurer/Accounts Payable. The reports are: Gateway Annual Financial Report, Newspaper Annual Report, and SEFA.



(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.

With the start of the 2018-2019 school year the School Town of Munster has contracted with Chartwells.

We want to state that the Audit recommendation will be corrected.


Description of Corrective Action Plan:

1. Eligibility: Two times within a school year the Business Office is going to go on the UDSA website and print out the Federal Register with the income guidelines and compare to what is on the Food Service application system. One of the times is going to be after the Technology Staff has rolled all the student systems for the new school year and the second time is going to be about halfway thru the school year.
2. Program Income: Corporation Treasurer has a excel spreadsheet of the yearly revenue, expenditure, gain or loss, and fund balance. Corporation Treasurer has a excel spreadsheet tracking a three month balance per the SBOA way. Corporation Treasurer sends monthly revenue and expenditure reports over to Food Service. At the end of the day the cashier counts cash drawer, gives to kitchen supervisor, and the kitchen supervisor counts all draws, balances to reports, writes up the deposit ticket, and gives locked bank bag to the ECA Treasurer. The ECA Treasurer takes the bank bag to the bank to make the deposit. When back the ECA Treasurer receipts into the system and gives back to kitchen supervisor. The end of the month the ECA Treasurer makes sure balances with Food Service Manager.
3. Reporting: When the Annual Financial report is completed is going to be done by Food Service and reviewed and submitted by the Corporation Treasurer. The NSLP monthly online report is going to be handled as: Chartwells has all the information and enters into the online system. They email to the Corporation Treasurer all the reports and a signed monthly NSLP Sponsor Claim form that all complete. The Corporation Treasurer runs a report and verifies everything entered online and submits the claim. The Corporation Treasurer signs the Monthly NSLP Sponsor Claim form, prints off submitted report and emails back to Chartwells.
4. Special Tests and Provisions: Verification of Free and Reduced Price Applications are going to be done and entered by the Food Service Manager and checked over by Director of Dining Services and initials. The Deputy Treasurer/Accounts Payable or New employee will review the verified applications set by DOE that must be review in a school year and date and initial. All the applications are going to be keep in a file.
5. Special Test and Provisions-Paid Lunch Equity-National School Lunch Program Only: We are going to have the Director of Dining Services complete the PLE. They are going to bring everything over to the Corporation Treasurer or Director of Financial Operations to go over and both parties sign off. Then the proper memo be taken to the School Board by Corporation Treasurer or Director of Financial Operations.



Anticipated Completion Date:

1. Starting with the 2019-2020 school year rollover of the students systems.
2. Started sending monthly reports in December 2018 and went back to July 2018 to Food Service. Started and went back to 2000 on the excel spreadsheets in December 2018.
3. Starting with the 2018-2019 Annual Financial report. In December 2018 started the NSLP process.
4. Going to start with the 2019-2020 school year.
5. Going to start with the 2019-2020 school year.


(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

With the start of the 2018-2019 school year the School Town of Munster has contracted with Chartwells.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.

We want to state that the Audit recommendation will be corrected.

Description of Corrective Action Plan:

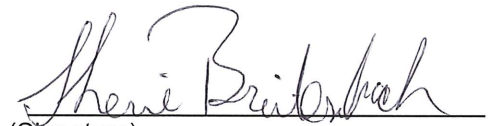
All the purchasing and contracts had been completed before either Chartwells, Corporation Treasurer, or Director of Financial Operations arrived.

We are going to be having the Deputy Treasurer/Accounts Payable start conducting search to verify the bidders and vendors have not been suspended or debarred. We are going to print the report and file in a vendor file.

All contracts, agreements, and purchases are going to come to either the Corporation Treasurer or Director of Financial Operations to be viewed and handle in the correct way. We are going to set up a process for purchasing and fixing things in the Food Service area. We have let Chartwells and Head of Maintenance know that NO repair or purchase of \$5,000 or more can be done until approval from Department of Education.

Anticipated Completion Date:

Starting as of December 2018.


(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

With the start of the 2018-2019 school year the School Town of Munster has contracted with Chartwells

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.

We want to state that the Audit recommendation will be corrected

Description of Corrective Action Plan:

Three month average expenditures calculated and spending plan.

Corporation Treasurer has a excel spreadsheet of the yearly revenue, expenditure, gain or loss, and fund balance.

Corporation Treasurer has a excel spreadsheet tracking a three month balance per the SBOA way. Corporation

Treasurer sends monthly revenue and expenditure reports over to Food Service. At the end of each school year

going to check our three month average and see if we need to complete a spending plan. We are going to contact

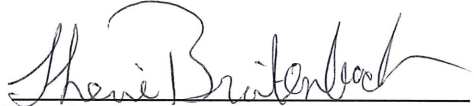
the Department of Education to see if we needed a plan for the current school year. The Director of Financial

Operations or Deputy Treasurer/Accounts Payable to check the numbers on the report for the three month

average.

Anticipated Completion Date:

Started sending monthly reports in December 2018 and went back to July 2018 to Food Service. Started and went back to 2000 on the excel spreadsheets in December 2018. Start at the end of the current school year.


(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-005

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

With the start of the 2018-2019 school year the School Town of Munster has contracted with Chartwells.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.


We want to state that the Audit recommendation will be corrected

Description of Corrective Action Plan: Capital Assets

We are going to have a company come in and update and complete a capital asset inventory. We are going to have an inventory sheet to be completed by each kitchen supervisor. The inventory sheet is going to be keep in the Food Service office and a copy sent over to the Deputy Treasurer/Accounts Payable.

Anticipated Completion Date:

Have the inventory sheet by the end of the current school year. Have the company come in and complete Capital Asset report by January 2020.



(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

With the start of the 2018-2019 school year the School Town of Munster has contracted with Chartwells.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.

We want to state that the Audit recommendation will be corrected

Description of Corrective Action Plan:

Procurement and Suspension and Debarment and Sealed Bids and Quotes:

We are going to meet with and look over the Chartwells contract to make sure we meet all the requirements for Procurement.

All the purchasing and contracts had been completed before either Chartwells, Corporation Treasurer, or Director of Financial Operations arrived.

We are going to be having the Deputy Treasurer/Accounts Payable start conducting search to verify the bidders and vendors have not been suspended or debarred. We are going to print the report and file in a vendor file.

All contracts, agreements, and purchases are going to come to either the Corporation Treasurer or Director of Financial Operations to be viewed and handle in the correct way. We are going to set up a process for purchasing and fixing things in the Food Service area. We have let Chartwells and Head of Maintenance know that NO repair or purchase of \$5,000 or more can be done until approval from Department of Education.

Anticipated Completion Date:

The steps have already been started in January 2019 and the rest be started at the beginning of the next school year 2019-2020.

(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-007

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

With the start of the 2018-2019 school year the School Town of Munster has contracted with Chartwells.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.

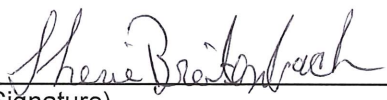
We want to state that the Audit recommendation will be corrected

Description of Corrective Action Plan:

Inaccurate meal counts: The Director of Dining Services is going to complete a Meal Monthly Count Sheet and send to the Corporation Treasurer at the end of each month. The Corporation Treasurer or Deputy Treasurer/Accounts Payable print a report and compare and make sure numbers are correct.

Anticipated Completion Date:

Start with the month of February 2019.



(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-008

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school...

We are a member of special education cooperative and not the LEA.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.

We want to state that the Audit recommendation will be corrected


Description of Corrective Action Plan:

Earmarking- Reporting: We are going to ask the LEA (Lake Central Community Schools) for reports and copy of the spreadsheet used to maintain and track the required amount of expenditures for the nonpublic schools. We are going to ask to see that the formula error has been corrected. We are going to ask for all reports that support the reimbursements, quarterly reports, and final report are gone over with School Town of Munster Corporation Treasurer and both Corporation Treasures have signed before being submitted.

The special education cooperative is breaking up as of June 30, 2019 and running payroll thru August 2019. Upon the special education cooperative breaking apart we are going to follow our policies.

Anticipated Completion Date:

We plan on starting the process in March 2019.



(Signature)

Corporation Treasurer

(Title)



CORRECTIVE ACTION PLAN

FINDING 2018-009

Contact Person Responsible for Corrective Action: Sherie Breitenbach, Corporation Treasurer
Contact Phone Number: 219-836-9111

Views of Responsible Official:

The audit period of July 1, 2016 to June 30, 2018, the employees that were responsible for the corrective action have retired or left from the school.

We are a member of special education cooperative and not the LEA.

Starting on 11-1-18 we have a new Corporation Treasurer and Director of Financial Operations.

We want to state that the Audit recommendation will be corrected


Description of Corrective Action Plan:

Procurement-Suspension-Debarment Requirements: We ae going to ask the LEA (Lake Central Community Schools) to send an email with the copy of proof that the vendors have been checked. We are going to ask to see and approve all contracts before awarded.

The special education cooperative is breaking up as of June 30, 2019 and running payroll thru August 2019. Upon the special education cooperative breaking apart we are going to follow our policies

Anticipated Completion Date:

We are going to Start in March 2019.


(Signature)

Corporation Treasurer

(Title)

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in four prior reports, including the three most recent Reports B43309, B46019, and B48480.

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 at June 30, 2017 and 2018:

Fund	Amount Overdrawn as of June 30,	
	2017	2018
General	\$ 3,680,117	\$ -
Textbook Rental	14,999	659,509

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)

TRAINING ON INTERNAL CONTROL STANDARDS

Training over internal control standards was not provided to the School Board members as required by Indiana Code 5-11-1-27(g).

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

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

ACCOUNTS PAYABLE VOUCHERS

The Treasurer did not certify disbursements when a purchase order was used as the claim. In addition, the Treasurer did not approve the payroll claims.

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

SCHOOL TOWN OF MUNSTER
AUDIT RESULTS AND COMMENTS
(Continued)

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and . . ."

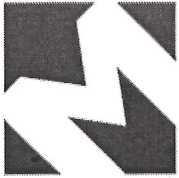
The Payroll Schedule and Voucher (General Form 99) should be used to prepare all payrolls from the attendance records of the employees listed thereon. The attendance information should be supplied to the business office by the school principal or by the department head for all employees under his jurisdiction or supervision.

Upon completion of the payroll claim by the business office, the certificate must be executed by the superintendent of schools or the business manager of the school corporation (provided the business manager is not also the treasurer) and the attest or approval signed by the treasurer of the school corporation. The payroll claim should then be processed, numbered, allowed by the school board and filed in numerical sequence with other claims. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 3)

PREPAID LUNCH ACCOUNT RECONCILIATIONS

Monthly reconcilements of all the students' individual meal account balances to the Prepaid School Lunch fund (clearing account) were not performed. The Prepaid School Lunch fund balance as of June 30, 2018, had a cash balance of \$49,100. The listing of student balances at June 30, 2018, was \$45,847, leaving a variance of \$3,253 in unreconciled funds.

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



"OFFICIAL RESPONSE"

February 21, 2019

To: Whom It May Concern,

Even though the current administration was not in place during the period that the audit was conducted. The employment of a new Corporation Treasurer, Sherie Breitenbach as of November 1, 2018 and Director of Financial Operations, William Melby as of November 1, 2018. We are more than willing to take on the responsibility and will be accountable in resolving and correcting the issues that were identified.

Respectfully,

Sherie Breitenbach
Sherie Breitenbach
Corporation Treasurer

Jeffrey Hendrix
Dr. Jeffrey Hendrix
Superintendent

SCHOOL TOWN OF MUNSTER
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2019, with Janice Swanson, former Treasurer; Sherie Breitenbach, Treasurer; Jeffrey Hendrix, Superintendent of Schools; John J. Doherty, President of the School Board; and William Melby, Director of Financial Operations.