

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION
JACKSON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/26/2019

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	
Preparation of the Schedule of Expenditures of Federal Awards	5-7
Finding 2018-003	
Child Nutrition Cluster - Internal Controls	8-10
Finding 2018-004	
Child Nutrition Cluster - Allowable Costs/Cost Principles	10-11
Finding 2018-005	
Child Nutrition Cluster - Procurement and Suspension and Debarment	12-14
Finding 2018-006	
Child Nutrition Cluster - Program Income	14-16
Corrective Action Plan.....	17-22
Audit Result and Comment:	
Prepaid School Meal Accounts.....	23
Exit Conference.....	24

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patsy A. Hess	07-01-16 to 06-30-19
Superintendent of Schools	Greg Walker Jade W. Peters (interim)	01-01-15 to 09-30-18 10-01-18 to 06-30-19
President of the School Board	Mary Ann S. Spray	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BROWNSTOWN CENTRAL COMMUNITY
SCHOOL CORPORATION, JACKSON COUNTY, INDIANA

This report is supplemental to our audit report of the Brownstown Central Community School Corporation (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 Result and Comment as described below.

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

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

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

February 20, 2019

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit report.

Condition

The School Corporation had not established or properly implemented an internal control system related to receipts, disbursements, and cash and investments of the School Lunch fund. An evaluation of the School Corporation's system of internal control had not been conducted. Management had not conducted risk assessment related to the School Corporation's financial transactions and reporting.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to receipts, disbursements, and cash and investments of the School Lunch fund. One individual was responsible for performing the reconciliation of the depository account balance with the record balance, preparing and making bank deposits, reconciling daily cash collections, recording receipt and disbursements transactions in the ledger, and preparing the financial information of the School Lunch fund for the Form 9.
2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the School to monitor and assess the quality of the system of internal control.

Context

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

Criteria

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

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

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

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish a system of internal controls could enable misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting for the School Lunch fund.

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: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit report.

Condition

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway and another employee reviewed and approved the information to ensure its accuracy before submission; however, the control was ineffective and the SEFA contained errors that went undetected.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures in the amount of \$427,981 were omitted in fiscal year 2018.
2. The Title I Grants to Local Educational Agencies expenditures in the amount of \$22,720 were understated in fiscal year 2018.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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

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

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

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

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-003

Subject: Child Nutrition Cluster - Internal Controls
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. 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 requirements related to the grant agreement and the following compliance requirements:

Cash Management

Management of the School Corporation had not established documented controls to ensure the School Lunch fund net cash resources did not exceed the three months average expenditures.

Eligibility

The School Corporation had not designed or implemented an effective internal control system to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered. There was no oversight or review to ensure the information entered into the food service software was accurate.

Reporting

The School Corporation had not designed or implemented an effective internal control system to ensure that the Annual Financial Reports, School Food Authority (SFA) Verification Collection Reports, and monthly Sponsor Claim (claim for reimbursement) were accurate, prior to submission. One person prepared and submitted the reports. There was no segregation of duties, such as oversight, review, or approval process over the submitted reports.

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

There was no documentation of an oversight or review process over the School Corporation's reverification of free and reduced price applications, selected from a sample of applications that were approved for free and reduced price meals.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - School Food Accounts

The School Corporation had not established an effective internal control system over the verification of all revenue generated by the school food service to ensure that it was used to operate and improve its food services. One individual was responsible for recording the School Lunch fund financial transactions and performing the reconciliation of the school lunch depository account balance with the record balance.

Special Tests and Provisions - Paid Lunch Equity

The School Corporation had not established an effective internal control system over the verification of the proper calculation and submission of paid lunch equity calculations to the Indiana Department of Education (IDOE). One employee prepared and submitted the paid lunch equity calculations to the IDOE.

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls 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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish an internal control system 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 2018-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

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

A portion of the High School Principal's salary was paid from the School Lunch fund for duties performed as the Food Service Director. There were no time records to support the amounts charged to the lunch program. Disbursements in the amount of \$20,463 and \$41,476 were charged to the School Lunch fund in fiscal year 2017 and fiscal year 2018, respectively.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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; . . .
- (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); . . .
- (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 to ensure documentation of personnel expenses charged to the lunch program were maintained.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreement and Allowable Costs/Cost Principles compliance requirement.

Questioned Costs

Known questioned costs in the amount of \$61,939 have been identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation had not established an effective internal control system to ensure that the purchasing methods used were in compliance with the applicable local, state, and federal requirements.

The School Corporation did not present evidence that an adequate number of quotes were obtained and maintained for audit, under the small purchases method.

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 comply with the suspension and debarment requirements during the audit period. They did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a covered transaction or contract.

Context

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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."

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. . . ."

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 did not establish an effective internal control system to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain 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.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-006

Subject: Child Nutrition Cluster - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): 3695
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. 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 Program Income compliance requirement. The School Corporation had not implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records.

The School Corporation did not comply with program income requirements. All food service collections were posted directly to a School Lunch fund with no segregation between what constituted program income and monies placed on student accounts. A School Lunch Clearing Account (8400) was not maintained by the School Corporation.

Context

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

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

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

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

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

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

Cause

The School Corporation had not designed or implemented an effective internal control system to ensure compliance with the grant agreement and the Program Income compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Program Income compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Program Income compliance requirement.

Views of Responsible Officials

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

BROWNSTOWN CENTRAL HIGH SCHOOL

500 North Elm Street
Brownstown, Indiana 47220

Joseph Sheffer
Principal
(812) 358-3453



Mark DeHart
Assistant Principal
Athletic Director
(812) 358-3453

We would like to open with a general statement concerning the repeated nature of a number of these audit findings. Due to the delay in the audit process in the State of Indiana, the period of July 1, 2014 to June 30, 2016 was not audited until February 2018. Many corrective actions were implemented at that time, however were not in place during the period of July 1, 2016 to June 30, 2018.

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Segregation of Duties: The school corporation has introduced segregation of duties to all financial transactions. At least two employees will prepare and review the receipts, disbursements, and cash and investments of the School Lunch Fund. Both individuals will sign or initial these documents as proof of review.

The lunch secretary will enter the money into the students' Harmony accounts at the elementary and middle schools. They will then print a Bank Deposit Report containing a list of money entered into the accounts and prepare the deposit. The lunch secretary and a second individual will sign or initial the report as verification that the deposit and report balance. The deposit is then brought to the Lunch Fund Treasurer to be taken to the bank. There is a similar process for the high school. The lunch cashier will enter the money into the Harmony accounts. She will then prepare a Cash Drawer Tally Sheet before bringing the money to the Lunch Fund Treasurer. The Treasurer will print the Bank Deposit Report and prepare the deposit. Upon completion of the deposit, a copy of the bank's deposit receipt will then be attached to the bank deposit report.

Monitoring of Controls: The Lunch Fund Treasurer will prepare financial reports, sign as the person preparing, and submit them to the Food Service Coordinator. The Food Service Coordinator will review and sign indicating approval of the report before passing the information to the School Board and/or Corporation Treasurer.

Anticipated Completion Date: Immediate

BROWNSTOWN CENTRAL HIGH SCHOOL

500 North Elm Street
Brownstown, Indiana 47220

Joseph Sheffer
Principal
(812) 358-3453



Mark DeHart
Assistant Principal
Athletic Director
(812) 358-3453

FINDING 2018-003

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash Management: The Lunch Fund Treasurer prepares the monthly board report. The Lunch Fund Treasurer and the Food Service Coordinator will review and sign this statement to verify the three month average does not exceed the maximum allowable for a non-profit entity.

Eligibility: The Lunch Fund Treasurer will review and enter the application information into the food service software, Harmony. A second person will then verify that the information and determination is accurate. Once the application is verified, that person will initial as proof of review.

Reporting: This is in reference to the Annual Financial Reports, School Food Authority Verification Collection Reports, and monthly Sponsor Claim for Reimbursement forms. The Lunch Fund Treasurer will prepare all reports, then send to the Food Service Coordinator for review. The Lunch Fund Treasurer and the Food Service Coordinator will sign as proof of review.

Verification of Free and Reduced Price Applications: The Lunch Fund Treasurer will conduct the verification process. The Food Service Coordinator will review applications pulled for verification prior to letters being sent home. The Food Service Coordinator will sign the application as proof of review.

School Food Account: Monthly financial reports and supporting documentation will be submitted to the Food Service Coordinator for review. The Treasurer and Food Service Coordinator will sign as proof of review.

Paid Lunch Equity: The Lunch Fund Treasurer will prepare the report and submit to the Food Service Coordinator for review. The Treasurer and the Food Service Coordinator will sign as proof of review.

Anticipated Completion Date: Immediate

BROWNSTOWN CENTRAL HIGH SCHOOL

**500 North Elm Street
Brownstown, Indiana 47220**

Joseph Sheffer
Principal
(812) 358-3453



Mark DeHart
Assistant Principal
Athletic Director
(812) 358-3453

FINDING 2018-005

Contact Person Responsible for Corrective Action: Kayia Davis/Joe Sheffer
Contact Phone Number: 812-358-3453

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Procurement: The school corporation is working to establish a system of internal controls pertaining to the Procurement and Suspension and Debarment compliance requirement. The school corporation will strive, to the best of their ability, to follow the procurement requirements.

Suspension and Debarment: The Lunch Fund Treasurer will conduct a SAM search to ensure that the proposed vendor is not suspended or debarred and is eligible to participate in federally funded programs. Should the vendor be suspended or debarred, a contract will not be awarded. A copy will be kept in the Food Service Department. The Lunch Fund Treasurer and Food Service Coordinator will sign as proof of review.

Anticipated Completion Date: Immediate

Kayia Davis
(Signature)

Lunch Fund Treasurer
(Title)

2-12-19
(Date)

Brownstown Central Community School Corporation

608 W. Commerce Street - Brownstown, IN 47220 - Telephone (812) 358-4271 - Fax (812) 358-5303

CORRECTIVE ACTION PLAN

Finding 2018-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer
Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Internal controls established to insure a proper system is in place to prevent, detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA).

1. The Corporation Treasurer will work with department heads to prepare the SEFA on Gateway. The Corporation Treasurer will supply the Business Manager with all information available in order to approve and verify the accuracy of the information and amounts on Gateway.
2. Corporation Treasurer will keep a list of all Federal programs received including the name of the pass-through entity and identifying numbers and CFDA number or other identifying number when the CFDA information is not available.

Anticipated Completion Date: March 1, 2019

Patsy Hess
(Signature)
Treasurer
(Title)
2.11.19
(Date)

Brownstown Central Community School Corporation

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CORRECTIVE ACTION PLAN

Finding 2018-004 –CHILD NUTRITION CLUSTER –ALLOWABLE COSTS/COST PRINCIPALS

Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We are currently re-evaluating our Principal's job duties and titles. During this evaluation time we have removed the one-third of the pay from the School Lunch Fund. We will continue to monitor the time spent in the cafeteria to make future decisions. If it is determined that we start paying a percentage again out of the School Lunch Fund, we will implement a PARS report to log the time.

Anticipated Completion Date: February 11, 2019

Patsy Hess
(Signature)
Treasurer
(Title)
2-11-19
(Date)

Brownstown Central Community School Corporation

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CORRECTIVE ACTION PLAN

Finding 2018-006 –CHILD NUTRITION CLUSTER –PROGRAM INCOME

Contact Person Responsible for Corrective Action: Patsy Hess, Treasurer

Contact Phone Number: 812-358-4271

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We have set up a clearing account with the fund number 8400. When a student brings in a deposit, the receipt will be recorded to fund 8400 using receipt account number 1630. Periodically, after a student has charged meals, we will disburse the amount charged from 8400 using expenditure account 31900 and receipt in into fund 800 using receipt accounts 1611-1623. On a monthly basis the balance of the 8400 fund will be reconciled with the total of the individual meal accounts.

Anticipated Completion Date: July 1, 2019

Patsy Hess
(Signature)

Treasurer
(Title)

2-11-19
(Date)

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL MEAL ACCOUNTS

During the audit period, prepaid lunch receipts were not recorded into a Prepaid Lunch fund (8400), but were instead accounted for within the School Lunch Extracurricular Account (ECA). The School Corporation has not established a separate prepaid lunch fund.

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 this 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)

BROWNSTOWN CENTRAL COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2019, with Patsy A. Hess, Treasurer; Jade W. Peters, interim Superintendent of Schools; Mary Ann S. Spray, President of the School Board; Harry Rochner, Business Manager; Joseph Sheffer, High School Principal; and Kayia Davis, Lunch Fund Treasurer.