

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
LEBANON COMMUNITY SCHOOL CORPORATION
BOONE COUNTY, INDIANA
July 1, 2016 to June 30, 2018



FILED
03/27/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards	4-6
Finding 2018-002	
Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort.....	6-7
Corrective Action Plan.....	8-9
Exit Conference.....	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melissa Moore	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Robert L. Taylor	07-01-16 to 06-30-19
President of the School Board	Michael Burton Elizabeth Keith Robert Wirey	07-01-16 to 12-31-16 01-01-17 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 LEBANON COMMUNITY SCHOOL
CORPORATION, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the Lebanon 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 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.

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

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

March 11, 2019

LEBANON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

Condition

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

The School Corporation had established internal controls over the federal award information entered into the Indiana Gateway for Government Units financial reporting system, which was the source of the School Corporation's SEFA. The internal controls did not, however, prevent material misstatements to the SEFA presented for audit.

Context

The SEFA presented for audit contained the following errors:

1. The School Breakfast Program (CFDA 10.533) was overstated by \$1,792,753 and \$1,820,097 during fiscal year 2017 and fiscal year 2018, respectively.
2. The National School Lunch Program (CFDA 10.555) was understated by \$820,005 and \$797,501 during fiscal year 2017 and fiscal year 2018, respectively.
3. The Special Education Grants to States (CFDA 84.027) was understated by \$537,313 during fiscal year 2017.
4. The WIOA Dislocated Worker Program Grant (CFDA 17.278) was understated by \$6,962 during 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. . . ."

LEBANON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

2 CFR 200.510(b) states:

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

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

Cause

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

Effect

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

LEBANON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish effective 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.

FINDING 2018-002

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Federal Agency: Department of Education

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

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-099-PN01, 14217-099-PN01,
14218-099-PN01, 45717-099-PN01,
45718-099-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the level of effort - maintenance of effort requirements.

One individual was responsible for preparing the maintenance of effort calculations. There were no controls in place, such as an oversight, review, or approval process to ensure that the maintenance of effort calculations were correct.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (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). . . ."

LEBANON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the level of effort - maintenance of effort requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the level of effort - maintenance of effort requirements.

Questioned Costs

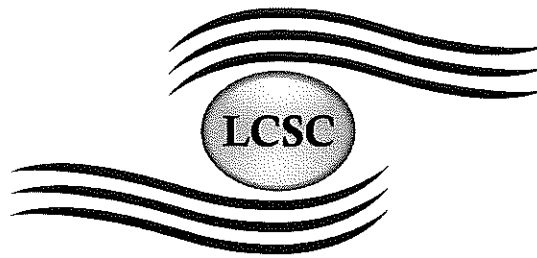
There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the level of effort - maintenance of effort requirements.

Views of Responsible Officials

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



Administration Center – Office of the Superintendent

1810 North Grant Street
LEBANON, INDIANA 46052

Phone: (765) 482-0380

Fax: (765) 483-3053

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Charles Tait
Contact Phone Number: 765-482-0380 ext 31811

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Notes have been made and filed on how to correctly report the School Breakfast Program, National School Lunch Program, the Special Education Grants to States and the WIOA Program Grant.

These notes and the audit report details will be used as a reference when filing the next SEFA report.

Anticipated Completion Date: Notes have been made and filed for reference -- 02/28/2019
Refer to audit report for next SEFA report—08/01/2019

Charles Tait
(Signature)

ASST. Supt.
(Title)

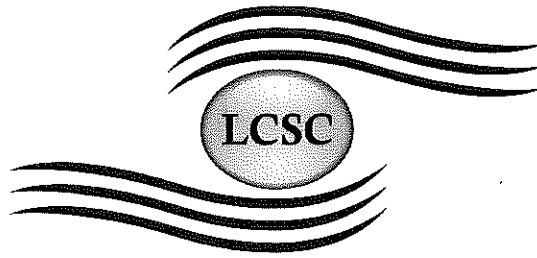
02/20/2019
(Date)

Charles L. Tait
Assistant Superintendent

Kari K. Ottinger
Director of Assessment

Robert L. Taylor
Superintendent

Diane Lee Scott
Director of Instruction
Chad A. Martin
Director of Technology



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CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Charles Tait

Contact Phone Number: 765-482-0380 ext 31811

Views of Responsible Official: We concur with the finding.

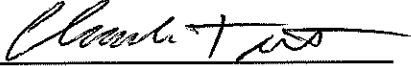
Description of Corrective Action Plan:

The Treasurer will act as the reviewer and sign

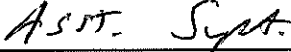
The Asst. Supt. Will act as the preparer and sign

Already corrected for the MOE IDEA 611 Part 2 FY2019


Anticipated Completion Date: Already corrected for the MOE IDEA 611 Part 2 FY2019



(Signature)



(Title)



(Date)

Charles L. Tait
Assistant Superintendent

Kari K. Ottinger
Director of Assessment

Robert L. Taylor
Superintendent

Diane Lee Scott
Director of Instruction
Chad A. Martin
Director of Technology

LEBANON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 11, 2019, with Charles Tait, Assistant Superintendent of Schools; Dr. Robert L. Taylor, Superintendent of Schools; Melissa Moore, Treasurer; and Robert Wirey, President of the School Board.