

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCHOOL CITY OF WHITING

LAKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/27/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kim Pusateri	07-01-16 to 06-30-19
Superintendent of Schools	Cynthia Scroggins	07-01-16 to 06-30-19
President of the School Board	Kathy Murzyn Jeremiah Moynihan Nicole Davenport	07-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-19



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TO: THE OFFICIALS OF THE SCHOOL CITY OF WHITING, LAKE COUNTY, INDIANA

This report is supplemental to our audit report of the School City of Whiting (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 Finding, identified in the above referenced audit report, is included in this report.

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

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

February 25, 2019

SCHOOL CITY OF WHITING
FEDERAL FINDING

FINDING 2018-001

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 Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Finding: Material Weakness

Repeat Finding

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

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 following compliance requirements:

Cash Management

The School Corporation had not established an effective internal control system to monitor the School Lunch fund to ensure that its monthly cash balance was limited to three months average expenditures. There was no documented oversight, review, or monitoring process over the cash balances.

Reporting

One person prepared and submitted the School Food Authority (SFA) Verification Collection Reports without evidence of oversight, review, or approval.

Context

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

Criteria

2 CFR 200.303 states in part:

SCHOOL CITY OF WHITING
FEDERAL FINDING
(Continued)

"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

The School Corporation's management had not designed 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, review, and approval 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 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.

SCHOOL CITY OF WHITING

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BOARD OF SCHOOL TRUSTEES

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Kathy Murzyn, Vice President

Cecilia T. Peterson, Secretary

Christine Striatak, Trustee

Amanda E. Perkins, Trustee

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Kim Pusateri
Contact Phone Number: 219-659-0656

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash Management:

Internal Controls and procedures will be implemented to monitor the cash balance of the School Lunch fund. The Director of Finance currently prepares a monthly financial/expenditure spreadsheet for the Food Service Director and Board of School Trustees. We will implement a calculation on the spreadsheet to show that the average three month expenditure does not exceed our current monthly cash balance.

Please note that the Food Service Director does submit the Annual Cafeteria Financial Report each year to the IDOE and it has always been approved. We were not contacted by IDOE that our fund balance has ever been in excess of the three month expenditure average.

Reporting:

Internal Controls and procedures will be implemented to review the SFA Verification Collection Report. The Food Service Director will continue to prepare the SFA Verification Collection Report each fall. Prior to submission the Food Service Director will have the report reviewed by the Director of Finance. The Director of Finance will sign a copy of the report prior to submission.

Anticipated Completion Date: **Cash Management:** Immediately
Reporting: Fall of 2019 (next submission deadline November/December 2019)

Kim Pusateri
(Signature)

Director of Finance
(Title)

2-22-19
(Date)

SCHOOL CITY OF WHITING
EXIT CONFERENCE

The contents of this report were discussed on February 25, 2019, with Nicole Davenport, President of the School Board; Kathy Murzyn, Vice President of the School Board; Cynthia Scroggins, Superintendent of Schools; and Kim Pusateri, Treasurer.