

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH MADISON COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/29/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Penny Myers	07-01-16 to 12-31-19
Superintendent of Schools	Joseph Buck	07-01-16 to 06-30-21
President of the School Board	William Hutton Richard Evans Amy McGinnis Chris Boots	01-01-16 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



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TO: THE OFFICIALS OF THE SOUTH MADISON COMMUNITY
SCHOOL CORPORATION, MADISON COUNTY, INDIANA

This report is supplemental to our audit report of the South Madison 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 7, 2019

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

Repeat Finding

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

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 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. The Treasurer prepared the federal award information entered into Gateway without a proper system of internal controls in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. The Medicaid Cluster was overstated by \$129,290 for the period ending June 30, 2018.
2. The Special Education Cluster (IDEA) was understated by \$673,974 for the period ending June 30, 2018.
3. The SEFA contained several immaterial errors resulting in an overstatement of \$63,520 for the period ending June 30, 2017, and an understatement of \$155,795 for the period ending June 30, 2018.
4. Not all CFDA numbers, program names, project names, and pass-through identifying numbers were reported or correctly reported.

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.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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."

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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*.

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.

FINDING 2018-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch
Program, Special Milk Program for Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
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 2016-005.

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 compliance requirement.

The School Corporation did not maintain proper time and effort documentation for all employees paid from the Child Nutrition Cluster. During the audit period, a portion of two employees' salaries were paid from Child Nutrition Cluster funds. The amounts paid were based off of a budgeted amount and not actual time spent. There was no supporting documentation to indicate how these amounts were determined.

Context

The lack of controls and noncompliance with the two employees was a systemic issue, occurring throughout the audit period.

SOUTH MADISON 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 200.430(i) states in part:

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

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

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

Effect

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

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 Allowable Costs/Cost Principles compliance requirement.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch
Program, Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Significant Deficiency

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. Only one individual is responsible for preparing, approving, and submitting the Verification Summary Report without any oversight, review, or approval process prior to submission.

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). . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and Reporting compliance requirement.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and 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 2018-004

Subject: Child Nutrition Cluster - Equipment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit period. The prior audit finding number was 2016-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation maintains an inventory of all assets within the School Corporation, including Child Nutrition Cluster equipment. The asset list is updated biannually and was last completed on June 30, 2017; therefore, the School Corporation did not have a complete record of assets as of June 30, 2018. Any additions and deletions during the 2018 fiscal year were not reflected in the records provided by the School Corporation. There was no review or approval process for acquisitions or disposals of equipment.

In addition to the School Corporation's asset records, a separate inventory of equipment was maintained by the Director of School Nutrition Services. This asset list was not maintained in accordance with the School Corporation's capital asset policy and did not include all applicable assets. The School Corporation's capital asset policy indicated that items costing \$750 or more should have been included within the asset records. Some equipment purchases were not included in this inventory; therefore, the inventory records were not complete.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and incomplete records were 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). . . ."

2 CFR 200.33 states in part:

"*Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. . . ."

2 CFR 200.313(d) states in part:

"*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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Equipment and Real Property Management requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and 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.

FINDING 2018-005

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles and Equipment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children

CFDA Numbers: 10.553, 10.555, 10.556

Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Equipment and Real Property Management

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 Allowable Costs/Cost Principles and Equipment and Real Property Management compliance requirements.

The School Corporation purchased a piece of equipment with a value of more than \$5,000 without obtaining approval from the Indiana Department of Education (IDOE). The IDOE National School Lunch Program procurement policy requires that all equipment purchases made with Child Nutrition Cluster funds exceeding \$5,000 are approved by the IDOE prior to purchase.

Context

The lack of controls and non-compliance were isolated to the purchase noted above.

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). . . ."

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.33 states in part:

"*Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. . . ."

2 CFR 200.439(b) states in part:

"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 200.313(a) states in part:

"*Title*. Subject to the obligations and conditions set forth in this section, title to equipment acquired under a Federal award will vest upon acquisition in the non-Federal entity. Unless a statute specifically authorizes the Federal agency to vest title in the non-Federal entity without further obligation to the Federal Government, and the Federal agency elects to do so, the title must be a conditional title. Title must vest in the non-Federal entity subject to the following conditions: . . .

- (2) Not encumber the property without approval of the Federal awarding agency or pass-through entity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement, the Allowable Costs/Cost Principles compliance requirement, and the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement, the Allowable Costs/Cost Principles compliance requirement, and the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles and Equipment and Real Property Management compliance requirements.

Views of Responsible Officials

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-006

Subject: Special Education Grants to States - Internal Controls
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 14216-027-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2016-009 and 2016-010.

Condition

The School Corporation was a participating member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative) during the 2016-2017 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements. 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 following compliance requirements:

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties regarding allowable activities and allowable costs. The Treasurer prepared claims for payment and paid the claims with no review, approval, or oversight process to ensure accuracy.

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was proper segregation of duties regarding cash management. Reimbursement requests were prepared and submitted by the Treasurer with no review, approval, or oversight process to ensure accuracy.

Context

The lack of controls was isolated to the 2016-2017 school year.

SOUTH MADISON 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). . . ."

Cause

Management had not established a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance 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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement, the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Cash Management 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 2018-007

Subject: Special Education Cluster (IDEA) - Level 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): 14217-139-PN01, 45717-139-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-007.

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 Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation's management failed to provide sufficient supporting documentation for the maintenance of effort calculation for fiscal year 2016-2017 for one expenditure account listed. The lack of supporting documentation resulted in the inability to determine if the expenditure account used was for special education services. Additionally, two expenditure accounts listed included disbursements with federal funds, and are not considered state or local expenditures.

Context

The lack of internal controls and noncompliance were isolated to the 2016-2017 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 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 300.203(b) states:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommend that the School Corporation's management establish an effective internal control system to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-008

Subject: Special Education Grants to States - Period of Performance
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 18611-023-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative) during the 2017-2018 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During the 2017-2018 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the period of performance requirements. 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 Period of Performance compliance requirement.

Special Education grants have a period of performance that requires costs not be incurred prior to the July 1 start of the grant award. For grant 18611-023-PN01, obligations for transactions recorded near the beginning of the grant award were found to have been incurred prior to the start of the period of performance for three of seven claims examined.

Context

The lack of controls was isolated to the 2017-2018 school year. The noncompliance was isolated specifically to the 18611-023-PN01 award in 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). . . ."

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Period of Performance compliance requirement.

Questioned Costs

There were no questioned costs 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 Period of Performance 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 2018-009

Subject: Special Education Cluster (IDEA) - Procurement

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): 14216-027-PN01, 18611-023-PN01,
18619-023-PN01

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 audit report. The prior audit finding number was 2016-009.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

Hancock Madison Shelby Educational Services Cooperative

The School Corporation was a participating member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative) during the 2016-2017 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During the 2016-2017 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the procurement requirements. An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the procurement requirements. The Cooperative had not designed or implemented adequate policies and procedures to ensure there was a proper segregation of duties regarding procurement. The Treasurer prepared claims for payment and paid the claims without any review, oversight, or approval policies.

Hamilton-Boone-Madison Special Services Cooperative

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative) during the 2017-2018 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During the 2017-2018 school year, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the procurement requirements. An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the procurement requirements.

The written procurement policies and procedures of the fiscal agent did not comply with the procurement requirements outlined in the *Criteria* below. The written policies did not specify the avoidance of unnecessary or duplicative items or that all solicitations should incorporate a description of the technical requirements of the procurement. The fiscal agent also had a policy to use local or geographical preferences in the evaluation of bids or proposals. Additionally, no documentation was made available for audit to verify that price or rate quotations were obtained from an adequate number of qualified sources or that the procurements provided full and open competition.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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). . . ."

2 CFR 200.318 states in part:

"(a) 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. . . .

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . .

(i) 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 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

(1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . ."

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.320(b) states:

"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."

Cause

Management had not developed a system of internal controls that would have ensured 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 noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with 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 2018-010

Subject: Special Education Grants to States - Reporting

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-027-PN01, 14217-139-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-008.

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.

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

For the fiscal year 2017 grant award, the School Corporation was required to provide special education and related services to students in nonpublic schools and facilities, which required financial reports to be completed on a quarterly basis. Proportionate Share Monitoring Reports from July 1, 2016 to June 30, 2018 were not prepared or submitted by the School Corporation.

The School Corporation was a participating member school corporation of the Hancock Madison Shelby Educational Services Cooperative (Cooperative) during the 2016-2017 school year. The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative.

During the audit period, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the reporting requirements. An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Cooperative had not designed or implemented adequate policies and procedures to ensure there was a proper segregation of duties regarding reporting. The reimbursement requests and Final Expenditure Reports were prepared and submitted by the Treasurer without any oversight, review, or approval process prior to submission.

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). . . ."

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"

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and 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.

BOARD OF SCHOOL TRUSTEES

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Superintendent

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Assistant Superintendent for Secondary Curriculum, Instruction and College & Career Readiness

Dr. Laura M. Miller
Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2018-001 FINANCIAL STATEMENT FINDING

Subject: Preparation of the Schedule of Expenditures of Federal Awards

Audit Findings: Material Weakness, Noncompliance

Contact Person Responsible for Corrective Action:

Ken McCarty, Business Manager and Penny Myers Corporation Treasurer

Contact Phone Number:

765-778-2152 extension 1003 or 1005

Contact Email:

kmccarty@smcsc.com or pmyers@smcsc.com

Views of Responsible Officials:

We concur with the findings.

Description of Corrective Action Plan:


As of April 1, 2019, South Madison Community School Corporation has set in place the following:

The Schedule of Expenditures of Federal Awards (SEFA) is prepared by the Corporation Treasurer using actual receipts and expenditures from the Form 9 – Biannual Financial Report for the Federal Awards. The Director of School Nutrition will provide the Corporation Treasurer with the receipts and expenditures for the National School Lunch Program using the CND-1 report along with any non-cash assistance. The Special Education Federal Awards are administered by Hamilton Boone Madison – Special Service Cooperative, therefore the receipts and expenditures will be provided to the Corporation Treasurer by the Special Education Cooperative.

The SEFA report will then be reviewed by the Business Manager with an authorization signature/initial before being submitted into the Gateway Program by the Corporation Treasurer.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. The Corporation Treasurer and Director School Nutrition have obtained additional guidance from the State Board of Accounts Field Examiner, in reference to the preparation of the SEFA. Also, as per the guidance of the State Board of Accounts, the Medicaid Cluster will not be included on future SEFA reporting.

Due to the timing of the 2014-15 and 2015-16 audit period, the implementation of the 2016-001 corrective action plan could not be carried out during the current audit period of 2016-17 and 2017-18.



Signature and Title Business Manager

3/4/19

Date



Signature and Title Corporation Treasurer

3/4/19

Date

SOUTH MADISON



COMMUNITY SCHOOL CORPORATION

203 SOUTH HERITAGE WAY ♦ PENDLETON IN 46064 ♦ (765) 778-2152 ♦ (317) 485-4478 ♦ (765) 642-5661 ♦ (765) 778-8207-FAX

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Kenneth S. McCarty
*Business & Operations
Manager*

Lynn Mellinger
*Director of Special
Education*

March 4, 2019

CORRECTIVE ACTION PLAN

Finding 2018-002:

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Program(s): School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Number(s): 10.553, 10.555, 10.556
Federal Award Number(s) (or Other Identifying Number(s)): FY 2016-2017, FY2015-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement(s): Allowable Costs/Cost Principles
Audit Finding(s): Material Weakness
Repeat Finding

This is a repeat finding from the immediate prior audit period. The prior audit finding number was 2016-005.

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 following compliance requirement listed above.

The School Corporation did not maintain proper time and effort documentation for all employees paid from the Child Nutrition Cluster. During the audit period, a portion of two employee's salaries were paid out of the child nutrition program. The amounts were paid based off of a budgeted amount and not actual time spent. There was no supporting documentation to determine to support the amount paid.

Context

The lack of controls and noncompliance were isolated to the two employees. This issue continued throughout the audit period.

PLAN:

SMCSC now keeps a time and effort log for both employees. Those time and effort logs will be used to calculate the amount that is charged to the 0800 fund using actual time spent and hourly rate. The calculations will be used to invoice the 0800 fund. Budgeted amounts will no longer be used effective April 1, 2019.

Views of the Responsible Official:

I concur with the finding(s).

Lindsay Hill Director of Nutrition Services
Signature and Title

3/4/19
Date



SOUTH MADISON

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Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

March 4, 2019

CORRECTIVE ACTION PLAN

Finding 2018-003:

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Program(s): School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Number(s): 10.553, 10.555, 10.556
Federal Award Number(s) (or Other Identifying Number(s)): FY2016- 2017, FY2016-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement(s): Reporting
Audit Finding(s): Significant Deficiency

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. Only one individual is responsible for preparing, approving, and submitting the Verification Summary Report.

PLAN:

Current practice is SMCSC Nutrition Services Administrative Assistant prepares the Verification Summary Report from the district's POS (point of sale) software. The Administrative Assistant makes any necessary edits and signs off on this report. The Director of Nutrition Services takes that report and enters the information onto the online form on the DOE CNPweb. SMCSC will add a third step to Standard Operating Procedures to have the Administrative Assistant review the submitted online report to ensure it matches the previous report. All changes will take place effective April 1, 2019.

Views of the Responsible Official:

I concur with the finding(s).

Gudrun Attee Director of Nutrition Services

Signature and Title

3/4/19

Date



SOUTH MADISON

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March 4, 2019

CORRECTIVE ACTION PLAN

Finding 2018-004:

Subject: Child Nutrition Cluster - Equipment and Real Property
Federal Agency: Department of Agriculture
Federal Program(s): School Breakfast Program, National School Lunch Program, Special Milk Program for Children
CFDA Number(s): 10.553, 10.555, 10.556
Federal Award Number(s) (or Other Identifying Number(s)): FY2016-2017, FY2016-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement(s): Equipment and Real Property
Audit Finding(s): Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit period. The prior audit finding number was 2018-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the equipment requirements of the Equipment and Real Property Management compliance requirement. There was no review or approval process for acquisitions or disposals of equipment.

The School Corporation maintains an inventory of all assets within the School Corporation including child nutrition equipment. The inventory is updated biannually and was last completed on June 30, 2017, therefore we did not have a complete record of assets as of June 30, 2018. Any additions and deletions during the fiscal year ending June 30, 2018 would not be reflected in the records provided by the School Corporation.

In addition to the School Corporation's asset records, a separate inventory of equipment was maintained by the Director of School Nutrition Services. However this inventory was not maintained in accordance with the School Corporation's capital asset policy and did not include all assets that it should. The School Corporation's capital asset policy indicates that assets costing \$750 or more should be included in the asset records. Only certain equipment purchases that the Director considered "fixed equipment" were included in this inventory, therefore the inventory records would not be considered complete either.

Due to the incompleteness of the inventory records, we were not able to test some aspects regarding this compliance requirement.

PLAN:

SMCSC will make the following changes to its Standard Operating Procedures as related to the Equipment Inventory maintained by the Director of Nutrition Services effective April 1, 2019.

- A tab to spreadsheet will be added to easily identify deletions and additions. Deletions already are approved by SMCSC Board of Trustees. Additions are approved through Accounts Payable vouchers.
- Physical Inventory of Assets will be reviewed and confirmed annually by Cafeteria Managers.
- SMCSC Nutrition Services Administrative Asst. will verify that additions and deletions are made to inventory by Director of Nutrition Services.

Views of the Responsible Official:

I concur with the finding(s).

Gudrun Affecc Director of Nutrition Services
Signature and Title

3/4/19
Date

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*Business & Operations
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Lynn Mellinger
*Director of Special
Education*

March 4, 2019

CORRECTIVE ACTION PLAN

Finding 2018-005:

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Equipment,
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for
Children
CFDA Numbers: 10.553, 10.555, 10.556
Federal Award Number(s) (or Other Identifying Number(s)): FY2016- 2017, FY2016-2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement(s): Allowable Costs/Cost Principles, Equipment and Real Property Management,

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 following compliance requirement(s): Allowable Costs/Cost Principles, Equipment and Real Property Management.

The School Corporation had purchased a piece of equipment with a value of more than \$5,000 without obtaining approval for the Indiana Department of Education. The Indiana Department of Education National School Lunch Program Procurement Policy requires that any equipment purchases made with Child Nutrition Funds exceeding \$5,000 be approved by the State prior to purchase.

PLAN:

SMCSC Director of Nutrition Services will obtain prior approval from IDOE prior to the purchase of any equipment exceeding \$5,000 effective April 1, 2019.

Views of the Responsible Official:

I concur with the finding(s).

Judsey Affari Director of Nutrition Services
Signature and Title

3/4/19
Date

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Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2018-006 SPECIAL EDUCATION CLUSTER (IDEA) – Internal Controls
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number: 14216-027-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management
Audit Finding: Material Weakness


Contact Person Responsible for Corrective Action:
 Ken McCarty, Business Manager and Penny Myers Corporation Treasurer
Contact Phone Number:
 765-778-2152 extension 1003 or 1005
Contact Email:
kmccarty@smcsc.com or pmyers@smcsc.com

Views of Responsible Officials:
 We concur with the findings.

Description of Corrective Action Plan:

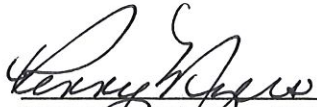
South Madison Community School Corporation was a member of the Hancock Madison Shelby Educational Services Cooperative during the 2016-2017 school year. As of July 1, 2017, Hancock Madison Shelby Educational Services dissolved their operations and services. Thereafter, South Madison Community School Corporation entered into an agreement with Hamilton Boone Madison (HBM) Special Service Cooperation to provide Special Education services and support for the Part B 611 and Part B 619-Early Childhood Federal Grants. HBM 's services are monitored closely by their long term director, who provides correspondence and guidance to the SMCSC Superintendent, Business Manager, Director of Special Education and Corporation Treasurer.

South Madison Community School Corporation will make every effort to ensure compliance with the federal requirements related to the grant agreement and the activities allowed or un-allowed, allowable costs/cost principles and cash management compliance requirements.



 Signature and Title Business Manager
 3/4/19

 Date



 Signature and Title Corporation Treasurer
 3/4/19

 Date

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Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2018-007 SPECIAL EDUCATION CLUSTER (IDEA) – Level 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: 14217-139-PN01, 45717-139-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action:

Ken McCarty, Business Manager and Penny Myers Corporation Treasurer

Contact Phone Number:

765-778-2152 extension 1003 or 1005

Contact Email:

kmccarty@smcsc.com or pmyers@smcsc.com

Views of Responsible Officials:

We concur with the findings.

Description of Corrective Action Plan:

Due to the transition from Hancock Madison Shelby Educational Services to Hamilton Boone Madison Special Service Cooperative (HBM), SMCSC was required for one year, to apply for the FY17 Special Education Grant and Special Education Preschool Grant. The application was completed with the guidance of HBM's director and the Indiana Department of Education. Future, Special Education Grant applications will be administered by HBM with the oversight of SMCSC.

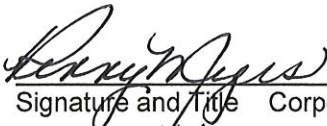
SMCSC has obtained a better understanding of the Maintenance of Effort requirement of Level of Effort from the State Board of Account Field Examiner. As of April 1, 2018, SMCSC will maintain detailed supporting documents for all future grant applications.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-15 and 2015-16 audit period, the implementation of the prior corrective action plan could not be carried out during the 2016-17 and 2017-18 audit period.



Signature and Title Business Manager
3/4/19

Date



Signature and Title Corporation Treasurer
3/4/19

Date

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Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2018-008 SPECIAL EDUCATION CLUSTER (IDEA) – Period of Performance

Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number: 18611-023-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action:
Ken McCarty, Business Manager and Penny Myers Corporation Treasurer

Contact Phone Number:
765-778-2152 extension 1003 or 1005


Contact Email:
kmccarty@smcsc.com or pmyers@smcsc.com

Views of Responsible Officials:
We concur with the findings.

Description of Corrective Action Plan:
South Madison Community School Corporation has discussed the finding with Hamilton Boone Madison (HBM) and all parties concurs with the finding.

As of April 1, 2019, South Madison Community School Corporation will work with HBM to ensure only costs incurred during the federal grant period are paid during the current grant period.

South Madison Community School Corporation will make every effort to comply with the federal compliance requirements.



Signature and Title Business Manager

3/4/19

Date



Signature and Title Corporation Treasurer

3/4/19

Date

SOUTH MADISON



COMMUNITY SCHOOL CORPORATION

203 SOUTH HERITAGE WAY ♦ PENDLETON IN 46064 ♦ (765) 778-2152 ♦ (317) 485-4478 ♦ (765) 642-5661 ♦ (765) 778-8207-FAX

BOARD OF SCHOOL TRUSTEES

Chris J. Boots
Mark Brizendine
Richard C. Evans
William Hutton
Amy S. McGinnis
Joel P. Sandefur
Kaye Wolverton

ADMINISTRATION

Joseph A. Buck
Superintendent

Dr. Mark J. Hall
Assistant Superintendent for Secondary Curriculum, Instruction and College & Career Readiness

Dr. Laura M. Miller
Assistant Superintendent for Elementary Curriculum and Instruction

Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN


FINDING 2018-009 SPECIAL EDUCATION CLUSTER (IDEA) – Internal Controls
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: 14216-027-PN01, 18611-023-PN01, 18619-023-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion


Contact Person Responsible for Corrective Action:
Ken McCarty, Business Manager and Penny Myers Corporation Treasurer
Contact Phone Number:
765-778-2152 extension 1003 or 1005
Contact Email:
kmccarty@smcsc.com or pmyers@smcsc.com

Views of Responsible Officials:
We concur with the findings.

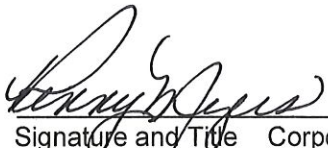
Description of Corrective Action Plan:
South Madison Community School Corporation was a member of the Hancock Madison Shelby Educational Services Cooperative during the 2016-2017 school year. As of July 1, 2017, Hancock Madison Shelby Educational Services dissolved their operations and services. Thereafter, South Madison Community School Corporation entered into an agreement with Hamilton Boone Madison (HBM) Special Service Cooperation to provide Special Education services and support for the Part B 611 and Part B 619-Early Childhood Federal Grants. HBM 's services are monitored closely by their long term director, who provides correspondence to the SMCSC Superintendent, Business Manager, Director of Special Education and Corporation Treasurer.

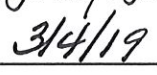
As of April 1, 2019, South Madison Community School Corporation will make every effort to ensure compliance with the federal requirements related to the grant agreement and the procurement requirements.



Signature and Title Business Manager


Date



Signature and Title Corporation Treasurer


Date



BOARD OF SCHOOL TRUSTEES

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Kenneth S. McCarty
Business & Operations Manager

Lynn Mellinger
Director of Special Education

CORRECTIVE ACTION PLAN

FINDING 2018-010 SPECIAL EDUCATION CLUSTER (IDEA) – Reporting

Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number: 14216-027-PN01, 14217-139-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action:
 Ken McCarty, Business Manager and Penny Myers Corporation Treasurer

Contact Phone Number:
 765-778-2152 extension 1003 or 1005

Contact Email:
kmccarty@smcsc.com or pmyers@smcsc.com

Views of Responsible Officials:
 We concur with the findings.

Description of Corrective Action Plan:
 Due to the transition from Hancock Madison Shelby Educational Services to Hamilton Boone Madison Special Service Cooperative (HBM), SMCSC was required for one year, to apply for the FY17 Special Education Grant and Special Education Preschool Grant. The application was completed with the guidance of HBM’s director and the Indiana Department of Education. Future, Special Education Grant applications will be administered by HBM with the oversight of SMCSC.

SMCSC has obtained a better understanding of the Proportionate Share Monitoring Reporting from the State Board of Account Field Examiner. As of April 1, 2019, SMCSC will maintain detailed supporting documents for all future grant applications.

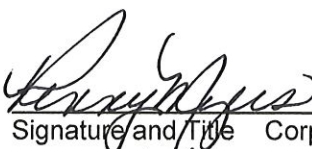
South Madison Community School Corporation will make every effort to comply with the federal compliance requirements. Due to the timing of the 2014-15 and 2015-16 audit period, the implementation of the prior corrective action plan could not be carried out during the 2016-17 and 2017-18 audit period.



 Signature and Title Business Manager

3/4/19

 Date



 Signature and Title Corporation Treasurer

3/4/19

 Date

SOUTH MADISON COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 7, 2019, with Joseph Buck, Superintendent of Schools; Kenneth McCarty, Business Manager; Penny Myers, Treasurer; William Hutton, School Board member; Kaye Wolverton, School Board member; Mark Brizendine, School Board member; and Mark Hall, School Board member.