

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION
HENRY COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
04/22/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Stephanie L. Madison	07-01-16 to 06-30-19
Superintendent of Schools	Jediah T. Behny	07-01-16 to 06-30-19
President of the School Board	Wade Beatty	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CHARLES A. BEARD MEMORIAL
SCHOOL CORPORATION, HENRY COUNTY, INDIANA

This report is supplemental to our audit report of the Charles A. Beard Memorial 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

April 9, 2019

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Child Nutrition Cluster - Internal Controls over Eligibility and Program Income
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 17, FY 18
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Program Income
Audit Finding: Material Weakness

Repeat Finding

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

Eligibility

The School Corporation did not have a control procedure in place to ensure that the eligibility determinations were being reviewed after the initial determination.

Program Income

Only one individual was responsible for reconciling the prepaid lunch account and transferring the program income to the School Lunch account. There was no additional review or monitoring procedures over the transfers.

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 compliance requirements listed above.

CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal 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.

FINDING 2018-002

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17, FY 18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-010.

Condition

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

Procurement

The School Corporation did not have internal controls in place to ensure that small purchases were made in compliance with procurement requirements. The School Corporation did not obtain price or rate quotations for all small purchases made from vendors of the Child Nutrition program and did not have a contract with one vendor that was required to have a contract.

Suspension and Debarment

The School Corporation did not have controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

CHARLES A. BEARD MEMORIAL 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 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

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 requirements.

Effect

The failure to establish an effective internal control system enabled non-compliance 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.

Charles A. Beard Memorial School Corporation

8139 W US Hwy 40
Knightstown, Indiana 46148

School Board

Wade Beatty, President
Cynthia Neal, Vice President
Gerald Leonard, Secretary
John Swartz
Steve Ferrell
Thomas Schaetzle
Graham Richardson



Jediah Behny
Superintendent

Voice: 765-345-5101
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CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Stephanie Madison
Contact Phone Number: 765-345-5101

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation implemented new internal controls following the Department of Education's School Nutrition audit, in which guidance was given to follow protocol of the provided Free and Reduced application that contains one signature line and to spot check a variable number of applications to ensure compliance. Having received additional guidance from State Board of Accounts, the corporation has made all efforts to review and initial every Free and Reduced application. The implementation of new internal controls also allowed for the additional layer of oversight of transfers between the prepaid lunch account and the school food service account. The transfers will be prepared and reviewed by two staff members each month.

Completion Date: July 1, 2018

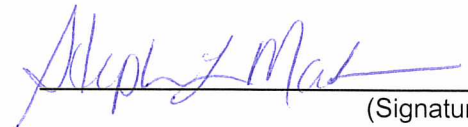
FINDING 2018-002

Contact Person Responsible for Corrective Action: Jody McMahel
Contact Phone Number: 765-345-5101

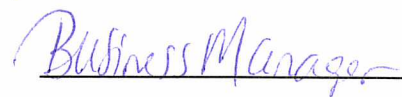
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish effective internal controls by adding an additional layer of oversight to ensure the completion and retention of documentation required for the procurement process, as well as ensuring vendors have not been suspended or debarred.

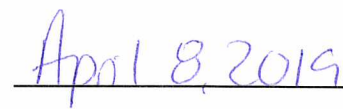
Completion Date: July 1, 2018



(Signature)



(Title)



(Date)

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CHARLES A. BEARD MEMORIAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2019, with Stephanie L. Madison, Treasurer; Jediah T. Behny, Superintendent of Schools; Wade Beatty, President of the School Board; Steven Ferrell, School Board member; Gerald Leonard, School Board member; and Jody McMahel, Food Service Director.