

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
NORTH NEWTON SCHOOL CORPORATION
NEWTON COUNTY, INDIANA
July 1, 2016 to June 30, 2018



FILED
04/24/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Child Nutrition Cluster - Eligibility	4-5
Finding 2018-002	
Child Nutrition Cluster - Procurement and Suspension and Debarment	5-7
Finding 2018-003	
Child Nutrition Cluster - Reporting	7-9
Finding 2018-004	
Special Education Cluster (IDEA) - Allowable Costs/Cost Principles	9-11
Finding 2018-005	
Special Education Cluster (IDEA) - Level of Effort	11-12
Finding 2018-006	
Special Education Cluster (IDEA) - Period of Performance.....	12-14
Finding 2018-007	
Special Education Cluster (IDEA) - Procurement and Suspension and Debarment.....	14-16
Finding 2018-008	
Title I Grants to Local Educational Agencies - Eligibility	16-17
Corrective Action Plan.....	18-25
Exit Conference.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Director of Business and Finance	Karen L. Zackfia	07-01-16 to 06-30-19
Superintendent of Schools	Destin L. Haas Sherri Cripe (interim) Dr. Robert Boyd (interim)	07-01-16 to 02-03-19 02-04-19 to 03-03-19 03-04-19 to 06-30-19
President of the School Board	Michael Russell	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH NEWTON SCHOOL
CORPORATION, NEWTON COUNTY, INDIANA

This report is supplemental to our audit report of the North Newton 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 25, 2019

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Child Nutrition Cluster - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Number and Year (or Other Identifying Number): FY16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that free and reduced price meal applications were accurately evaluated for eligibility during fiscal year 2016-2017. The Food Service Director calculated and determined the status of each application without oversight or review to ensure that the calculations and determinations were accurate.

Context

The lack of controls was a systemic issue during 2016-2017.

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

The School Corporation had not developed a system of internal controls to ensure compliance with the Eligibility 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 the Eligibility compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Eligibility 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 2018-002

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 Number and Year (or Other Identifying Number): FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

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

Procurement

The School Corporation had not designed or implemented adequate internal controls to ensure that proper procurement methods were selected prior to purchasing goods that were not procured through a purchasing cooperative.

The School Corporation did not comply with the procurement requirements since the contracted purchase for dairy was not approved by the School Board as required by the School Corporation policy for fiscal year 2016-2017.

Suspension and Debarment

The School Corporation did not have policies or procedures in place to ensure that vendors not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs. The School Corporation relied upon a purchasing cooperative who was responsible for compliance with the suspension and debarment requirements for contracted vendors.

The School Corporation did not comply with the suspension and debarment requirements since they did not have documentation to show that they verified that the dairy vendor was not excluded or disqualified.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was only applicable to 2016-2017.

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. . . .

(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. . . ."

North Newton School Corporation Bylaws and Policies 6325 Procurement - Federal Guidelines

Procurement of all supplies, materials, equipment, and services paid from Federal funds or School Corporation matching funds shall be made in accordance with all applicable Federal, State, and local statutes and/or regulations, the terms and conditions of the Federal grant, and School Board policies and administrative procedures.

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

(a) Checking the SAM Exclusions; or

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with 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 2018-003

Subject: Child Nutrition Cluster - Reporting
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 Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation had not designed or implemented controls to ensure that the required reports during fiscal year 2016-2017 were complete and accurate prior to submission. The Food Service Director prepared and submitted the Annual Financial Report and the School Food Authority (SFA) Verification Collection Report (Verification Report) without oversight, review, or approval.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation designed and implemented controls over the 2017-2018 Verification Report, but the controls were not effective. The Verification Report for 2017-2018 was inaccurate. The School Corporation reported 142 students approved for reduced price meals, but the supporting documentation indicated that only 121 students were eligible for reduced price meals, resulting in over-reporting of 21 students.

Context

The lack of controls was a systemic issue throughout 2016-2017. The lack of effective controls and the noncompliance over the Verification Reports applied to 2017-2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.22(b) states in part:

"*Audit procedure.* These requirements call for organization-wide financial and compliance audits to ascertain whether financial operations are conducted properly; financial statements are presented fairly; recipients and subrecipients comply with the laws and regulations that affect the expenditures of Federal funds; recipients and subrecipients have established procedures to meet the objectives of federally assisted programs; and recipients and subrecipients are providing accurate and reliable information concerning grant funds. . . ."

2 CFR 200.302(b) states in part: ". . . . (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 and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the reporting requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with 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: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

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): 14216-049-PN01, 14217-049-PN01,
45716-049-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation was a participating member school corporation of a Special Education Cooperative (Cooperative). Because the special education grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the allowable costs requirements.

For fiscal year 2016-2017, one member school corporation of the Cooperative paid all payroll related costs for all members of the Cooperative and was subsequently reimbursed by the fiscal agent. There were no controls in place to ensure the accuracy of the payroll expenditures reported by the member school corporations. In addition, a review of the vendor claims prior to payment by the fiscal agent was not consistently documented.

The fiscal agent of the Cooperative also paid member school corporations for payroll costs related to speech therapists employed at each member school. Personnel activity reports or equivalent records were not maintained for the 2016-2017 portion of the speech therapists' salaries and related costs charged to the special education programs. The fiscal agent paid each member school corporation based on their grant budgets for speech therapists, which did not properly document time attributable to the grants. The School Corporation paid \$15,400 for speech therapists during 2016-2017 without proper supporting documentation.

Context

The lack of controls and noncompliance were systemic issues during 2016-2017.

NORTH NEWTON 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) . . ."

Cause

The School Corporation had not established a proper or effective internal control structure 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 to go undetected. Noncompliance with the grant agreement or the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

View 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: 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): 14216-049-PN01, 14217-049-PN01,
45716-049-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

Repeat Finding

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

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the level of effort - maintenance of effort requirements of the Matching, Level of Effort, Earmarking compliance requirement for fiscal year 2016-2017.

One individual prepared and submitted the maintenance of effort report without a proper system of oversight, review, or approval.

Context

The lack of controls was a systemic issue throughout 2016-2017.

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). . . ."

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls to ensure compliance with the Level of Effort - Maintenance of Effort requirements of the Matching, Level of Effort, Earmarking 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 the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with 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.

FINDING 2018-006

Subject: Special Education Cluster (IDEA) - Period of Performance

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): 14216-049-PN01, 14217-049-PN01,
45716-049-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

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 Period of Performance compliance requirement.

The School Corporation was a participating member school corporation of a Special Education Cooperative (Cooperative). Because the grant agreements were between the Indiana Department of Education (IDOE) and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the Period of Performance compliance requirement.

The School Corporation failed to comply with the Period of Performance compliance requirement that all obligations for expenditures made from program funds were incurred within the period of performance. The obligation and/or payment of claims did not occur within the period of performance for transactions charged and recorded to the grant prior to the period of performance.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The fiscal agent for the Cooperative changed on July 1, 2016. The IDOE awarded the remaining grant funds from fiscal year 2015-2016 to the member school corporations through the Cooperative on July 11, 2016. Per the award letter, expenses accrued beginning on July 11, 2016, were eligible for reimbursement. There were underlying obligations for disbursements totaling \$160,755, which occurred prior to the period of performance. The School Corporation's share of the disbursements paid prior to the period of performance was \$17,511.

Context

The lack of controls and the School Corporation's failure to comply with the Period of Performance compliance requirement was an isolated issue, which occurred during the transition of the Cooperative's fiscal agent from one member school corporation to another at the beginning of 2016-2017.

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 200.309 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."

2 CFR 200.77 states in part:

"Period of performance means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award . . ."

Cause

The School Corporation 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 material noncompliance to go undetected. Noncompliance with the grant agreement or the Period of Performance compliance requirement could have resulted in the loss of federal funds to the School Corporation.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with 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 2018-007

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14216-049-PN01, 14217-049-PN01,
45716-049-PN01, 45717-049-PN01

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. 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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation was a participating member school corporation of a Special Education Cooperative (Cooperative). Because the special education grant agreements were between the Indiana Department of Education and each member of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the Procurement and Suspension and Debarment compliance requirement.

The School Corporation relied on the Cooperative to comply with the Procurement and Suspension and Debarment compliance requirement for the special education programs.

Procurement

The School Corporation had not established effective controls to ensure that their procurement policies were followed.

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation failed to comply with the procurement requirement that small purchases and sealed bids must be in compliance with their procurement procedures, as well as state laws and procedures. Small purchase procedures, which require that at least three price or rate quotations be obtained from qualified sources, were not followed. There were no quotes or bids obtained for any purchases during the audit period.

Suspension and Debarment

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and noncompliance were systemic issues applicable throughout fiscal year 2016-2017.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, and 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."

Rensselaer Central School Corporation Policy 6325 - PROCUREMENT - FEDERAL GRANTS/FUNDS states:

"Small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property the cost of which exceeds \$3,500 but is less than the competitive bid threshold of \$100,000. Small purchase procedures require that at least three (3) price or rate quotations shall be obtained from qualified sources."

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement, and comply with 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 2018-008

Subject: Title I Grants to Local Educational Agencies - Eligibility
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 16-5945, 17-5945, 18-5945
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

NORTH NEWTON SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation related to the grant agreement and the Eligibility compliance requirement.

There was no oversight or review process in place at the elementary schools to ensure that the real time reports used to determine attendance for eligible schools were uploaded accurately.

Context

The lack of controls was a systemic issue throughout the audit period for all three elementary schools within the School Corporation.

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

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Eligibility 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 the Eligibility compliance requirement. A lack of segregation of duties within an internal control system could have allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 Eligibility compliance requirement.

Views of Responsible Officials

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

ENGAGE. EDUCATE. EMPOWER.

Board of School Trustees: Mr. Michael Russell-President, Mr. Paul Sheldon-Vice President, Mrs. Patricia Reyes-Secretary, Mrs. Tiffany Fox-Member, Mrs. Diane Gonczy-Member, Mr. John Haas-Member, and Mr. Kevin Rainford-Member

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Karen Warne, Director of Food Service
Contact Phone Number: Karen Zackfia, 219-285-2228; Karen Warne, 219-285-2252 ext. 222

We concur with the finding.

Description of Corrective Action Plan:

Eligibility compliance requirement was not met during 2016-2017 school year because a system of internal controls had not been established to ensure that Free and Reduced Price Meal Applications were accurately evaluated. A system of internal controls was established on December 1, 2017. The Director of Food Service completed the verification of the Free and Reduced Price Applications and determined eligibility for the program. The Director of Food Service documented the results of the eligibility review by signing the back of the application. A second review of the Free and Reduced Price Meal Applications, supporting documents, and eligibility determination was done by a Food Service Employee. After completion of the second review, the Food Service Employee signed off in agreement with the eligibility results.

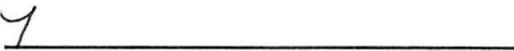
Anticipated Completion Date:

The corrective action plan was implemented on December 1, 2017.



(Signature)

Director of Food Service



(Title)

March 25, 2019

(Date)



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)



310 South Lincoln
PO Box 8
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-18-

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Dr. Robert Boyd,
Interim Superintendent

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Board of School Trustees: Mr. Michael Russell-President, Mr. Paul Sheldon-Vice President, Mrs. Patricia Reyes-Secretary, Mrs. Tiffany Fox-Member, Mrs. Diane Gonczy-Member, Mr. John Haas-Member, and Mr. Kevin Rainford-Member

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Karen Warne, Director of Food Service
Contact Phone Number: Karen Zackfia, 219-285-2228; Karen Warne, 219-285-2252 ext. 222

We concur with the finding.

Description of Corrective Action Plan:

Procurement and Suspension and Debarment compliance requirements were not met because a system of internal controls had not been established for 2016-2017 school year when the dairy bid was not approved by the North Newton Board of Trustees. A system of internal controls has been established for Procurement and Suspension and Debarment compliance requirements. All documentation for Procurement and Suspension and Debarment is forwarded by the Director of Food Service to the Director of Business and Finance for review. After the review, any bids are submitted to the North Newton Board of Trustees for approval by the Director of Business and Finance. Then, the Director of Food Service is notified of the approval.

Anticipated Completion Date:

The corrective action plan was implemented on December 1, 2017.




(Signature)

Director of Food Service

(Title)

March 25, 2019

(Date)



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Karen Warne, Director of Food Service
Contact Phone Number: Karen Zackfia, 219-285-2228; Karen Warne, 219-285-2252 ext. 222

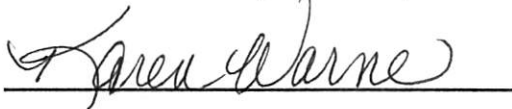
We concur with the finding.

Description of Corrective Action Plan:

Reporting compliance requirement was not met because the system of internal controls was insufficient to ensure accuracy of the Verification Report. The Director of Food Service completed the Verification Report. Before submission, another food service employee reviewed the Verification Report for accuracy. Both the Director of Food Service and food service employee documented their roles with the date and initials. Then, the Director of Food Service submitted the report. The Director of Business and Finance will develop a spreadsheet which will be completed which documents free/reduced at each building. The Director of Food Service will complete the spreadsheet and use it to complete the Verification Report. The spreadsheet along with the Verification Report will be reviewed and verified to data from each building by a food service employee. All tasks will be documented with the date and initials of the employee upon completion.

Anticipated Completion Date:

The corrective action plan was implemented on March 25, 2019.



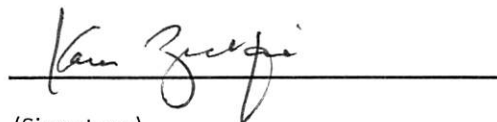
(Signature)

Director of Food Service

(Title)

March 25, 2019

(Date)



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Contact Phone Number: 219-285-2228

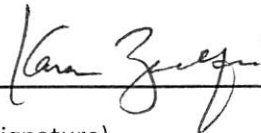
I concur with the finding.

Description of Corrective Action Plan:

Allowable Costs/Cost Principles compliance requirement was not met because a system of internal controls had not been established. The North Newton School Corporation is a participating member school corporation of Cooperative School Services, a special education cooperative. Cooperative School Services has developed internal controls to ensure the Allowable Costs/Cost Principles compliance requirement is met.

Anticipated Completion Date:

The corrective action plan has already been implemented as of March 25, 2019.



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-005

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Contact Phone Number: 219-285-2228

I concur with the finding.

Description of Corrective Action Plan:

The Matching, Level of Effort – Maintenance of Effort, Earmarking procedures were changed as outlined in the prior audit finding number 2016-006 on December 1, 2017. The Matching, Level of Effort-Maintenance of Effort, Earmarking reports are completed by the Director of Business and Finance from the financial records of the North Newton School Corporation. The documents are initialed and dated. Then, the Matching, Level of Effort –Maintenance of Effort, Earmarking documents were reviewed before submission by the Superintendent or designee for accuracy. The review was documented with initials and the date.

Anticipated Completion Date:

The completion date for the correction action plan was December 1, 2017.



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Contact Phone Number: 219-285-2228

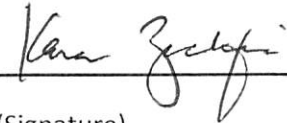
I concur with the finding.

Description of Corrective Action Plan:

Period of Performance compliance requirement was not met because a system of internal controls had not been established. The North Newton School Corporation is a participating member school corporation of Cooperative School Services, a special education cooperative. Cooperative School Services has developed internal controls to ensure the Period of Performance compliance requirement is met.

Anticipated Completion Date:

The corrective action plan has already been implemented as of March 25, 2019.



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)



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Interim Superintendent

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CORRECTIVE ACTION PLAN

FINDING 2018-007

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Contact Phone Number: 219-285-2228

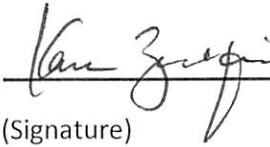
I concur with the finding.

Description of Corrective Action Plan:

Procurement and Suspension and Debarment compliance requirements were not met because a system of internal controls had not been established. The North Newton School Corporation is a participating member school corporation of Cooperative School Services, a special education cooperative. Cooperative School Services has developed internal controls to ensure the Procurement and Suspension and Debarment compliance requirements are met.

Anticipated Completion Date:

The corrective action plan has already been implemented as of March 25, 2019.



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)



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CORRECTIVE ACTION PLAN

FINDING 2018-008

Contact Person Responsible for Corrective Action: Karen Zackfia, Director of Business and Finance
Contact Phone Number: 219-285-2228

I concur with the finding.

Description of Corrective Action Plan:

Eligibility compliance requirement was not met because a system of internal controls had not been established at the three elementary schools for real time reports used to determine attendance for eligible schools were uploaded accurately. The real time reports are exported from the student management system by a building secretary and uploaded into the STN website. Before final submission of the real time reports, the building administrator or designee will review the summary of results for accuracy and document the review with the date and initials. After the view, the final submission will be completed by the building secretary.

Anticipated Completion Date:

The corrective action plan will be implemented on March 25, 2019.



(Signature)

Director of Business and Finance

(Title)

March 25, 2019

(Date)



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Dr. Robert Boyd,
Interim Superintendent

NORTH NEWTON SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2019, with Karen L. Zackfia, Treasurer/Director of Business and Finance; Dr. Robert Boyd, interim Superintendent of Schools; Michael Russell, President of the School Board; and Patricia Reyes, Secretary of the School Board.