

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION

MONTGOMERY COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/03/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cathy Moffett	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Scott Bowling	07-01-16 to 06-30-19
President of the School Board	Steven McLaughlin	07-01-16 to 06-30-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CRAWFORDSVILLE COMMUNITY SCHOOL
CORPORATION, MONTGOMERY COUNTY, INDIANA

This report is supplemental to our audit report of the Crawfordsville 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

April 5, 2019

CRAWFORDSVILLE 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 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 control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. The National School Lunch Program (10.555) expenditures were understated by \$134,370 and \$105,553 for the 2016-2017 and 2017-2018 school years, respectively. This was due to a lack of reporting of non-cash assistance.
2. The National School Lunch Program (10.555) expenditures were understated by \$852,296 and \$852,947 for the 2016-2017 and 2017-2018 school years, respectively. This occurred as all reported expenditures were listed as being passed through to subrecipients.
3. The School Breakfast Program (10.553) expenditures were understated by \$244,005 and \$381,855 for the 2016-2017 and 2017-2018 school years, respectively. This occurred as all reported expenditures were listed as being passed through to subrecipients.
4. The National School Lunch (10.555) and School Breakfast (10.553) Programs did not have a CFDA number listed for the 2016-17 school year.
5. The Supporting Effective Instruction State Grants (84.367) was reported under an incorrect CFDA number during the audit period.
6. The Adult Education - Basic Grants to States (CFDA 84.002) grants were understated by \$42,135 and \$7,187 for the 2016-2017 and 2017-2018 school years, respectively.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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.

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

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

Effect

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

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: School Breakfast Program, National School Lunch Program - Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Child Nutrition Cluster, Child and Adult Care Program

CFDA Numbers: 10.553, 10.555, 10.559, 10.558

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Cash Management and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding number was 2016-003.

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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:

Cash Management

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in accordance with the cash management requirements. There was no segregation of duties, such as an oversight, review, or approval process.

Reporting

An effective internal control system was not in place to ensure that the Monthly Sponsor Claims for Reimbursement, Annual Financial Report, and Verification Summary were accurately prepared and submitted. There was no segregation of duties such as an oversight, review, or approval process over the reporting process for the Child Nutrition Cluster.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

An effective internal control system was not in place to ensure that the verification of free and reduced price applications was completed. There was no segregation of duties such as an oversight, review, or approval process to ensure that the application verifications were accurate.

Context

The lack of controls was a systemic issue 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 to ensure compliance with the grant agreement and the compliance requirements listed above.

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 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 to ensure compliance with the grant agreement and the Cash Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 2018-003

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The School Corporation had not designed or implemented adequate internal controls to ensure that paid lunch prices were properly calculated and implemented. There was no oversight, review, or approval of the paid lunch equity calculations prior to submission to the School Board and prior to submission of the paid lunch equity report to the Indiana Department of Education. The weighted average lunch price for fiscal year 2017 was not properly calculated.

Context

The lack of controls and noncompliance was isolated to fiscal year 2016-2017.

CRAWFORDSVILLE 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). . . ."

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, enabled noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Questioned Costs

There were no questioned costs identified.

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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): 14215-062-PN01, 14216-060-PN01,
14217-060-PN01, 18611-060-PN01,
45716-062-PN01

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 2016-004.

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 appropriate documentation that would accurately reflect the certification of work performed by all full-time and part-time special education personnel.

Context

The lack of internal controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs 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 a system of internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-005

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security
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): 16-5855, 18-5855, S010A150014
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Assessment System Security
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 the requirements related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

An effective internal control system was not in place to ensure that a written test security policy describing the School Corporation's policies and procedures for ensuring the security of assessment testing was properly developed and implemented.

Context

The lack of controls and noncompliance were systemic issues 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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Assessment Program Manual, Chapter 10, Part D states in part:

"Every School Corporation public school, charter school, accredited nonpublic school, Choice school, or other test administration location that administers tests under the Indiana Assessment System MUST have a locally developed written test security policy. The test security policy developed by the entity should:

- Specify that secured test material should not be delivered to school buildings more than one week (preferably less) in advance of the test administration;

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- Specify that teachers and other school staff members are not allowed access to secure materials (except for the Examiner's Manual) more than 24 hours in advance of test administration; and
- Describe the entity's plan for ensuring the security of assessment materials during the testing and storage of all secure assessment materials before, during, and after testing. All test materials should be stored at a central location under lock and key. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Special Tests and Provisions - Assessment System Security 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 Special Tests and Provisions - Assessment System Security compliance requirement.

Views of Responsible Officials

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



Correction Action Plan after 07/01/16 to 06/30/18 Audit

Finding 2018-001

Contact Person Responsible for Corrective Action: Cathy Moffett
Contact Phone Number: 765-362-2342

View of The Responsible Official: Agree with the finding

As well as the internal control measures that were put into place after the audit conducted on the 07/01/14 to 06/30/16 school years the school corporation will add another layer of control to prevent, or detect and correct, errors. As well as being reviewed by the Superintendent prior to submission the Ledger of Expenditures and Receipts will also be printed and available for the Superintendent to Review. This was not done for the Schedule of Expenditures of Federal Rewards (SEFA) for 2016-2017 and 2017-2018 due to the timing of the audit and the (SEFA) reports had already been submitted. This is a repeat finding due to the timing of our last audit.

Anticipated Completion Date: 2019 Report Due Date

This finding will be corrected with the submission of the 2018-2019 Schedule of Expenditures of Federal Awards report which is due August 2019. The reason that this was not done for the audit period of 07/01/16 to 06/30/18 is noted above.

Finding 2018-002

Contact Person Responsible For Corrective Action Plan: Cathy Moffett & Dr. Rex Ryker
Contact Phone Number 765-362-2342

View of The Responsible Official: Agree with the finding

This finding was a repeat finding because of the timeframe of the 07/01/14 to 06/30/16 audit. We did not have time to implement any changes to this process until the 2018-2019 school year. This was corrected in the 2018-2019 school year by having two people review and sign off on the application for free and reduced lunches. We have also put into place practices to compare what is claimed by the Food Service Director for reimbursements from the state for Food Service is what we are actually paid. When a payment is made by the state for Food Service the Treasurer will compare that to what was submitted by the Food Service Director on



the IDOE School Nutrition website. A procedure has also been put into place to ensure that the School Lunch Fund balances were limited to the three month average expenditures in accordance with the Cash Management compliance requirement. The procedure put into place requires the Treasurer to submit a monthly report of the balances of the School Lunch Fund to the superintendent who will sign off.

This finding has different completion dates: The verification of free and reduced applications was complete starting with the 2018-2019 school year. The other two findings will be complete starting in 04/01/19.

Finding 2018-003

Contact Person Responsible For Corrective Action Plan: Food Service Director
Contact Phone Number 765-362-2340

View of The Responsible Official: Agree with the finding

The person that submits this information to the state will prepared the report and have another person such as the Assistant Superintendent review for accuracy. Both parties will then sign the report.

Anticipated Completion Date: 2018-2019 school year.

Finding 2018-004

View of The Responsible Official: Agree with the finding

Contact Person Responsible for Corrective Action: Cathy Moffett
Contact Phone Number: 765-362-2342

This was a repeat finding due to the timing of our 07/01/14 to 06/30/16 audit. After the findings in our 07/01/14 to 06/30/16 audit I was told that this would not be an issue for future audits. Therefore we did not put into place any procedures to correct. Since the requirement did not go away will require time and effort sheets from anyone being paid from Federal Grants. View of The Responsible Official: Agree with the finding

Anticipated Completion Date: 2018-2019 School Year



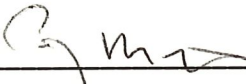
CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION

Finding 2018-005

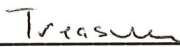
View of The Responsible Official: Agree with the finding

Contact Person Responsible For Corrective Action Plan: Cathy Moffett & Dr. Rex Ryker
Contact Phone Number 765-362-2342

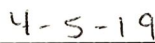
This finding as already been addressed by a board policy that was passed at the March 2019 board meeting



(Signature)



(Title)



(Date)

CRAWFORDSVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2019, with Steven McLaughlin, President of the School Board; Dr. Scott Bowling, Superintendent of Schools; and Cathy Moffett, Treasurer.