

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

FAIRFIELD COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/10/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marla J. Steffen	01-01-16 to 12-31-19
Superintendent of Schools	Dr. Steven W. Thalheimer Dr. Bruce N. Stahly (interim)	01-01-16 to 12-31-18 01-01-19 to 12-31-19
President of the School Board	Marilee Keim Wayne Miller Trent Hostetler Marilee Keim	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



STATE OF INDIANA
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TO: THE OFFICIALS OF THE FAIRFIELD COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Fairfield Community Schools (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 10, 2019

FAIRFIELD COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2018-001

Subject: Special Education Grants to States - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

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): 14216-014-PN01, 14217-014-PN01,
18611-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2016-004 and 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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation did not provide supporting documentation for compensation paid to Special Education employees from the Special Education grant funds. Timesheets were not presented for the federal grant portion of each employee's salary. As a result, the School Corporation paid wages totaling \$42,482 without proper supporting documentation.

Context

The lack of controls and the 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). . . ."

FAIRFIELD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

34 CFR 300.202(a) states:

"*General.* Amounts provided to the LEA under Part B of the Act—

- (1) Must be expended in accordance with the applicable provisions of this part;
- (2) Must be used only to pay the excess costs of providing special education and related services to children with disabilities, consistent with paragraph (b) of this section; and
- (3) Must be used to supplement State, local, and other Federal funds and not to supplant those funds."

34 CFR 300.208 states:

"(a) *Uses.* Notwithstanding §§ 300.202, 300.203(b), and 300.162(b), funds provided to an LEA under Part B of the Act may be used for the following activities:

- (1) *Services and aids that also benefit nondisabled children.* For the costs of special education and related services, and supplementary aids and services, provided in a regular class or other education-related setting to a child with a disability in accordance with the IEP of the child, even if one or more nondisabled children benefit from these services.
- (2) *Early intervening services.* To develop and implement coordinated, early intervening educational services in accordance with § 300.226.
- (3) *High cost special education and related services.* To establish and implement cost or risk sharing funds, consortia, or cooperatives for the LEA itself, or for LEAs working in a consortium of which the LEA is a part, to pay for high cost special education and related services.

(b) *Administrative case management.* An LEA may use funds received under Part B of the Act to purchase appropriate technology for recordkeeping, data collection, and related case management activities of teachers and related services personnel providing services described in the IEP of children with disabilities, that is needed for the implementation of those case management activities."

34 CFR 300.800 states:

"The Secretary provides grants under section 619 of the Act to assist States to provide special education and related services in accordance with Part B of the Act—

- (a) To children with disabilities aged three through five years; and
- (b) At a State's discretion, to two year-old children with disabilities who will turn three during the school year."

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.

FAIRFIELD COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the compliance requirements listed above could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

The \$42,482 of the nurses' salaries allocated to the Special Education funds were considered questioned costs.

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, which is part of this report.

FAIRFIELD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2018-002

Subject: Special Education Cluster (IDEA) - Reporting
Federal Agency: Department of Education
Federal Program: Special Education Grants to States, Special Education Preschool Grants
CFDA Numbers: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-014-PN01, 14217-014-PN01,
18611-014-PN01, 45718-016PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

The Elkhart County Special Education Cooperative (ECSEC) is a public school program serving approximately 3,400 students with disabilities, ranging from 3 to 22 years old, in Elkhart County. The School Corporation is the administrator of the ECSEC. An effective internal control system was not in place at the School Corporation and the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

The ECSEC failed to complete the required FY16 Final Report and Quarterly Proportionate Share Reports during the audit period for the member school corporations.

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:

. . .

FAIRFIELD COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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. . . .
- (3) 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. . . ."

Cause

The School Corporation and ECSEC 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 system of internal controls enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Reporting 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 and ECSEC's management establish a system of internal controls related to 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.



Dr. Bruce Stahly, Interim Superintendent
Monica Kegerreis, Assistant Superintendent
Philip R. Menzie, Business Manager

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April 10, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

This finding relates to the fact that each year as a part of our Part B Special Education Grant, Fairfield Community Schools, knowing that many of our special education students are medically fragile and need the services of our school nurses often, has always assigned a portion (25%) of our elementary nurses' wages to the Special Education Grant. This practice dates back to prior to my employment at Fairfield in 2008. From 2008 to date, we have been audited by the State Board of Accounts five (5) separate times, and it has never been suggested that this practice was not legal. In addition, the practice has been reviewed by at least four (4) directors of the Special Education Cooperative ("ECSEC") and never questioned.

Description of Corrective Action Plan:

With the 2018-2019 Part B Special Education Grant all of the member schools of the Cooperative are using the grant to pay for their share of the total costs of the Cooperative along with their specific Cooperative costs. No longer are any Fairfield employees paid from the grant except for the teacher who services the non-public schools under the Proportionate Share category of the grant.

Anticipated Completion Date: September, 2018 (prior to the audit)

Philip R. Menzie
Signature

BUSINESS MANAGER
Title

4/10/2019
Date



Dr. Bruce Stahly, Interim Superintendent
Monica Kegerreis, Assistant Superintendent
Philip R. Menzie, Business Manager

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April 10, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Philip Menzie
Contact Phone Number: (574) 831-2188

Views of Responsible Official:

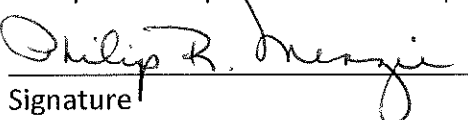
The Elkhart County Special Education Cooperative ("ECSEC") is a public school program serving students with disabilities in Elkhart County. Fairfield Community Schools is a participating member of the Cooperative. Goshen Community Schools is the administrator of the Cooperative.

While Fairfield Community Schools acknowledges that as a member of the Cooperative they, along with other member schools, are equally responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS). For the early part of the current audit period (July 1, 2016—June 30, 2018) there were some reports that either were not filed timely or not at all with the Indiana Department of Education. I find it interesting that the DOE would approve future years' grants if all of the proper reports for prior periods had not been filed.

Description of Corrective Action Plan:

In early 2016, there was a transition in some of the personnel at ECSEC. After the initial period of transitioning of duties, the operations at ECSEC have smoothed out with the personnel becoming much more confident and competent in their duties as they relate to report filing and grant applications with the DOE. After the early part of the audit period when there were some deficiencies in reporting, the processes have been corrected and reports have been filed timely. Fairfield Community Schools business office personnel and our Special Education Coordinator continue to follow established guidelines as we understand them, and also attempt to monitor the related procedures put in place by the LEA (Goshen Community Schools).

Anticipated Completion Date: March, 2019


Signature

BUSINESS MANAGER

Title

4/10/2019

Date

Empowering a resilient, reflective, and responsible community to learn and lead boldly.

FAIRFIELD COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2019, with Phil Menzie, Business Manager; Dr. Bruce N. Stahly, interim Superintendent of Schools; Marla J. Steffen, Treasurer; Jill Erb, Deputy Treasurer; Marilee Keim, President of the School Board; Shanda Branneman, Special Education Coordinator; and Dr. Wendy Hite, Executive Director of Special Education - ECSEC.