

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WESTERN SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
05/13/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Pam Carter Brook Cleaver	07-01-16 to 06-30-18 07-01-18 to 06-30-19
Superintendent of Schools	Randy McCracken	07-01-16 to 06-30-19
President of the School Board	J. Conrad Maugans Linda Singer Scott Gaskins	01-01-16 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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TO: THE OFFICIALS OF THE WESTERN SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Western 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/](http://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

WESTERN SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Child Nutrition Cluster - Cash Management  
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 2016-2017, FY 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
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 2016-002.

*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 Cash Management compliance requirement.

The School Corporation failed to comply with cash management requirements ensuring that that the School Lunch fund monthly cash balance (net cash resources) was limited to three months average expenditures. The three months average expenditures during fiscal years 2016-2017 and 2017-2018 were \$333,945 and \$325,142, respectively. The net cash resources of the School Lunch fund exceeded these amounts for 5 of 24 months within the audit period.

*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). . . ."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:  
. . .

WESTERN SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

*Cause*

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

*Effect*

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

*Views of Responsible Officials*

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

**FINDING 2018-002**

Subject: Child Nutrition Cluster - 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

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: 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. The prior audit finding number was 2016-003.

WESTERN 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 requirement and the following compliance requirements:

*Reporting*

The School Corporation had not established an effective system of internal controls to ensure that all of the required reports were accurately prepared and submitted. The Director of Food Service independently prepared and submitted the Annual Financial Report and the Verification Summary Report without a proper system of oversight, review, or approval.

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required verifications were performed and the determinations were made accurately. The Director of Food Service independently performed the verifications of free and reduced price meal applications and made the determination of whether a change in eligibility was necessary without a proper system of oversight, review, or approval.

*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 Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

WESTERN SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirements.

*Views of Responsible Officials*

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

SCHOOL BOARD

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for Tomorrow's Opportunities*

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LEARNERS & TESTING  
STACEY BROWN—CURRICULUM DIRECTOR

CORRECTIVE ACTION PLAN

**FINDING 2018-001** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Emily Klingler  
Contact Phone Number: (765) 883-1462

View of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: Beginning with the 2018-2019 school year, we created a School Lunch Fund "Monthly Review" form that is currently being utilized by the Director of Food Service & Director of Finance to ensure that the fund does not exceed three months' average expenditures. We took the fiscal year end expenditures for 2017-2018 to determine the 3-month average expenditure threshold for the 2018-2019 school year. At the end of each month, we compare the fund balance to the threshold to determine if it is over or under. If it is over the threshold, we note what corrective action we will take and/or if a spend-down plan is in place to use the excess funds to enhance our program, which may include improving/expanding food choices, equipment maintenance and/or replacement, staff professional development, etc. We both sign off on the form once the monthly review is completed. We both retain a copy of the form with our month-end reports.

Anticipated Completion Date: August 2018 forward.

**FINDING 2018-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Emily Klingler  
Contact Phone Number: (765) 883-1462

View of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

The change in procedures related to the Annual Financial Report (AFR) & the Verification process/Summary Report began with the 2018-2019 school year. The Director of Food Service (DFS) submitted the Annual Financial Report to the Director of Finance (DOF) for review to ensure it had been accurately prepared before submitting it to the State for approval. The DOF signed & dated the AFR worksheet, along with the DFS. We will follow this same procedure every year moving forward. In addition, this past October through December, the Secretary to the Director of Food Service reviewed the Verification process as it was completed by the Director of Food Service to ensure determinations and/or changes in eligibility were accurate. She signed off on the Verification Summary Report before the

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Director submitted it the State for approval. We will follow this same procedure every year moving forward. The Secretary was trained on the Verification process in September 2018 before Verification began in October 2018.

Anticipated Completion Date: August 2018 forward.

Brook Clauer  
(Signature)

Director of Finance  
(Title)

4-10-19  
(Date)

WESTERN SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2019, with Scott Gaskins, President of the School Board; Randy McCracken, Superintendent of Schools; Heather Hendrich, Assistant Superintendent of Schools; Brook Cleaver, Treasurer; and Emily Klingler, Director of Food Service.