

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WESTVIEW SCHOOL CORPORATION

LAGRANGE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
05/14/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brian L. Christner	01-01-16 to 12-31-19
Superintendent of Schools	Dr. Randall J. Zimmerly Dr. Randy Miller	07-01-16 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	Gerald Lee Keith Lambright	01-01-16 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE WESTVIEW SCHOOL CORPORATION, LAGRANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Westview 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 22, 2019

WESTVIEW SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*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 effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. One employee prepared the federal award information that was entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period.

*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. . . ."

*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 could have gone undetected.

WESTVIEW SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal 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: Child Nutrition Cluster - Internal Controls

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 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

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

*Procurement*

The School Corporation utilized an educational service center for food service bids. The educational service center administered the bidding process as well as verified that the vendors were not suspended or debarred. The educational service center made a recommendation to the School Corporation for the winning bids. However, there were no controls in place to ensure that the School Corporation and School Board formally approved the bids or awarded the contracts to the successful bidders for fiscal year 2017-2018.

*Reporting*

No evidence existed to indicate the School Food Authority (SFA) Verification Collection Reports were reviewed by someone other than the preparer.

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

The School Corporation had not designed or implemented adequate controls to ensure that the verifications of eligibility determinations for free and reduced priced meals were accurate. One employee prepared the School Food Authority (SFA) Verification Collection Reports to be submitted and performed the verifications. There was no documentation of a control in place, such as an oversight, review, or approval process, or other compensating control.

WESTVIEW SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements 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.

*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 compliance requirements listed above.

*Views of Responsible Officials*

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

WESTVIEW SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-003***

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
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 2017, FY 2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*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 proper time and effort documentation for all employees paid from the Child Nutrition Cluster. During the audit period, a portion of two employee's salaries were paid from Child Nutrition Cluster funds. The School Corporation paid \$66,084 in payroll related expenses based on fixed percentages and not actual time spent. There was no supporting documentation to indicate how these amounts were determined.

*Context*

The lack of controls and noncompliance with the two employees was a systemic issue, occurring 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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards: . . .

(g) Be adequately documented. . . ."

WESTVIEW SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

*Cause*

Management had not developed an effective system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish an effective system of internal controls enabled material noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

*Questioned Costs*

Known questioned cost of \$66,084 were identified in the *Condition*.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

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

# WESTVIEW SCHOOL CORPORATION



## CORRECTIVE ACTION PLAN

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### **FINDING 2018-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

One employee prepared the federal award information that was entered into Gateway without a control in place to prevent, or detect and correct, error prior to submission.

Contact Person Responsible for Corrective Action: Brian L Christner, Director of Finance  
Contact Phone Number: 260-768-4404

Views of Responsible Official: I concur with the finding. In the past, one person, the director of finance, has prepared and uploaded the Schedule of Expenditures of Federal Awards into Gateway.

Description of Corrective Action Plan:

In the future the director of finance will continue to prepare the SEFA and either the Deputy Treasurer or the Superintendent will review and sign-off on the SEFA in order to reduce the chance of any misstatement.

Anticipated Completion Date: April 22, 2019

### **FINDING 2018-002**

Subject: Child Nutrition Cluster – Internal Controls  
Audit Finding: Material Weakness

There were no controls in place to ensure that the School Corporation and School Board formally approved the bids or awarded the contracts to the successful bidders for the 2017-2018 school year.

No evidence existed to indicate the School Food Authority (SFA) Verification Collection Reports were reviewed by someone other than the preparer.

Contact Person Responsible for Corrective Action: Brian L Christner, Director of Finance  
Contact Phone Number: 260-768-4404

Views of Responsible Official: I concur with the finding that for the 2017-18 school year there is no evidence that the Board of Education approved the food bids. As in the past the school food bids were administered by the Northern Indiana Educational Service Center (NIESC). Normally after the NEISC accepts and approves the winning bids they are presented to the Westview Board for approval. The



formal approval process did not occur at the beginning of 2017-2018 school year. Subsequent claims by the winning bidders were approved by the board.

I also concur the there is no written evidence that the verification process was review by someone other than the preparer.

**Description of Corrective Action Plan:**

In the future as soon as the NIESC board accepts and approves winning bids for the Region 7 group food purchases, which usually happens in May, those recommendations will be taken to the Westview Board of education for approval. This year, for the 2019-20 school the bids will be submitted for the Westview Board's approval in June, 2019

In the past the Westview Clerk who processes the free and reduced applications has also verified the applications, selected randomly for verification. Currently the Director of Finance review 100% of the Free and Reduced applications but only verbally participates in the verification process. In the future the Clerk will continue to process all Free and Reduced applications and the Director of Finance will review and sign all applications. The when the small percentage of applications are selected for verification the actual verification work will be completed by the Director of Finance.

Anticipated Completion Date: April 22, 2019

***FINDING 2018-003***

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
Audit Finding(s): Material Weakness, Other Matters

The School Corporation did not maintain proper time and effort documentation for all employees paid from the Child Nutrition Cluster. During the audit period, a portion of two employee's salaries were paid from Child Nutrition Cluster funds. The amounts paid were based on fixed percentages and not actual time spent. There was no supporting documentation to indicate how these amounts were determined.

Contact Person Responsible for Corrective Action: Brian L Christner, Director of Finance  
Contact Phone Number: 260-768-4404

Views of Responsible Official: I concur that time and effort documentation for (2) employees paid form the Child Nutrition Cluster.

**Description of Corrective Action Plan:**

One of Westview's technical assistant's has been the person tasked with processing Free and Reduced Lunch applications. Since 30% of her time was allocated to this process only that part of her salary was charged to the Food Services Fund. No formal time records were maintained. Currently all applications

# WESTVIEW SCHOOL CORPORATION




are processed by a person who is employed full time in the Food Services are and so no corrective action is required for this employee.

Over the past 10 years 30% of the Director of Finance time has been paid for through the Lunch Fund because of the tasks required to be performed within food service by the director of Finance. In the recent past no formal time study with logs has been maintained. The time study listed below was prepared on April 20<sup>th</sup>. In the future proper time and effort documentation will be maintained.

	<u>Hours/Year</u>
School Visits per week - (2) per school per week	180.00
Review of claim billing to DOE - 1.25 hours per building for each of 10 months--	62.50
Planning and holding Quarterly Food Service Mgr. Meetings--	40.00
Annual On-Site Review of Breakfast and Lunch Clerking Procedures and collections	18.00
Review and Verify Free and Reduced Lunch Applications that are prepared by the clerk...	136.00
Menu Planning with help from Kaylyn McPillop - As needed -	12.00
Planning and Holding Annual Food Service Training Day: August 12, 2019	20.00
Required Annual Training for Food Service Director	16.00
Meetings at NIESC -- Region 7 for Food Procurement Process Implementation--	16.00
Prepare and Submit Annual Financial Report to the Department of Education...	18.00
Attend Wellness Committee Meetings	6.00
Cost out Lunches once per year	7.50
Use paid lunch equity tool to recommend lunch prices to the Board of Education	5.00
Keep up documentation all training for all food service personnel	2.00
Work with State Board of Accounts on Audit of Food Service Program -	5.00
A-133 Audit Preparation and Support	10.00
<b>Total Hours for Director of Finance on Food Service Director Activities (30% of contracted time)</b>	<b><u>554.00</u></b>

Anticipated Completion Date: April 22, 2019

  
 \_\_\_\_\_  
 (Signature)

*Director of Finance*  
 \_\_\_\_\_  
 (Title)

4/20/19  
 \_\_\_\_\_  
 (Date)

WESTVIEW SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 22, 2019, with Brian L. Christner, Treasurer; Dr. Randy Miller, Superintendent of Schools; Jim Miller, School Board member; and Keith Lambright, President of the School Board.