

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION

NOBLE 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	Kimberly A. Schlotterback (Vacant) Miranda R. Wilkins	07-01-16 to 06-10-17 06-11-17 to 07-31-17 08-01-17 to 06-30-19
Superintendent of Schools	Alan C. Middleton Troy A. Gaff	07-01-16 to 12-31-16 01-01-17 to 06-30-19
President of the School Board	Rodney P. Stayner Eric J. Custer	07-01-16 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE CENTRAL NOBLE COMMUNITY  
SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

This report is supplemental to our audit report of the Central Noble 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 and Audit Results and Comments 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 and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

April 8, 2019

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report regarding cash and investments. The prior finding number was 2016-002.

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments, receipts, and payroll disbursements.

1. Cash and Investments: Monthly bank reconcilements were prepared by one individual. There was no evidence of a review, oversight, or approval process until January 2018.

The lack of oversight resulted in depository balances being inadequately reconciled to the School Corporation records. The School Corporation maintained a bank account related to self-insurance activities, which was not properly documented in the School Corporation ledger.

2. Receipts: One individual prepared the deposit slip for all receipts, posted the receipt entries in the School Corporation ledger, and deposited the funds to the bank. There was no evidence of a review, oversight, or approval process by a person other than the preparer of deposits until January 2018.
3. Payroll Disbursements: One individual prepared payroll transactions, posted the payroll entries to the School Corporation ledger, and issued the payroll disbursements. Payroll disbursements were approved by the School Board after disbursements were made. However, there was no evidence of a review, oversight, or approval process by a person other than the preparer prior to issuance of payroll disbursements throughout the audit period.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The inadequately reconciled depository was closed in February 2018 and funds were transferred to a properly reconciled account.

*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:

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

*Cause*

Management of the School Corporation had not established a proper system of internal controls that segregated key functions over cash and investments, receipts, and payroll disbursements.

*Effect*

The failure to establish controls enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting: cash and investments, receipts, and payroll disbursements. In addition, we recommended that the School Corporation maintain compliance with Indiana Code 5-13-6-1(e).

*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: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior 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 effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which is a financial reporting system used to compile the School Corporation's SEFA. The Treasurer prepared the federal award information and entered it into Gateway without a control process in place to ensure its accuracy prior to submission.

*Context*

The SEFA presented for audit contained the following errors:

1. The School Breakfast Program grant expenditures of \$78,862 were omitted during the audit period.
2. The National School Lunch Program grant expenditures of \$552,250 were omitted during the audit period.
3. The Summer Food Service Program grant expenditures of \$14,032 were omitted during the audit period.
4. The Special Education Cluster (IDEA) grant expenditures of \$560,631 were omitted during the audit period.
5. The Title I, Part A Cluster grant expenditures for fiscal year 2017-2018 were understated by \$58,176.
6. The Title II, Part A Improving Teacher Quality grant expenditures were understated by \$34,013 for 2016-2017 and by \$20,077 for 2017-2018.

Total audit adjustments of \$1,318,041 were proposed, accepted by the School Corporation, and made to the SEFA.

*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:

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

"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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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.

CENTRAL NOBLE 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 controls that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls 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 2018-003***

Subject: School Breakfast Program, National School Lunch Program - Eligibility  
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 2016-17, FY 2017-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Eligibility  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior 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 Eligibility compliance requirement.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, determined eligibility from free and reduced price applications with no evidence of a review or approval process that was monitored by the School Corporation to ensure that the Eligibility compliance requirement was met.

*Context*

The lack of controls over eligibility was a systemic issue, 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). . . ."

*Cause*

Management had not developed a system of internal controls that segregated key functions 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.

*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.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-004***

Subject: School Breakfast Program, National School Lunch Program - Program Income  
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 2016-17, FY 2017-18  
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 immediately prior audit. The prior 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 Program Income compliance requirement.

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, was solely responsible for the implementation of school lunch prices. The School Corporation did not have controls in place to ensure that school lunch prices were properly implemented. For fiscal year 2016-2017, the amount charged for paid breakfast and paid lunch for children at the Jr/Sr High School was not the proper amount. This resulted in overcharging students for paid breakfast by \$0.18 per meal, and undercharging students for paid lunch by \$0.02 per meal.

The School Corporation did not have controls in place to ensure that program income was properly recorded in the School Corporation ledger. One individual prepared and recorded receipts with no evidence of a review or approval process to ensure that receipts generated from cafeteria sales were properly recorded. The School Corporation established a Food Service Trust fund maintained in the School Corporation ledger, which accounted for student prepaid meal accounts. Based on sales activity reports, an amount of money identified as program income for the Child Nutrition Cluster programs was transferred to the School Lunch fund. The School Corporation made a total of 19 transfers during the audit period to transfer program income from the Food Service Trust fund. Of 4 transfers sampled, 2 transfers made did not match the sales activity report.

*Context*

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. The issue of improper charged meal prices to children was isolated to fiscal year 2016-2017.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

CENTRAL NOBLE 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). . . ."

7 CFR 210.16(a) states in part:

". . . Any school food authority that employs a food service management company in the operation of its nonprofit school food service shall: . . .

(2) Ensure that the food service operation is in conformance with the school food authority's agreement under the Program; . . .

(4) Retain control of the quality, extent, and general nature of its food service, and the prices to be charged the children for meals; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

*Cause*

Management had not developed a system of internal controls that segregated key functions to ensure compliance with the Program Income compliance requirement.

*Effect*

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

*Questioned Cost*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-005***

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18  
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 immediately prior audit. The prior audit finding number was 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 Reporting compliance requirement.

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, prepared and submitted the required Monthly Sponsor Claims (claim for reimbursement), Annual Financial Reports (AFR), and the School Food Authority (SFA) Verification Collection Reports with no evidence of a review or approval process that was monitored by the School Corporation to ensure that the Reporting compliance requirement was met.

The School Corporation did not have controls in place to ensure the accuracy of the AFR. For fiscal year 2016-2017, the AFR contained the following inaccuracies: the beginning cash balance was overstated by \$93,791, revenues to the food service program were understated by \$25,333, expenditures of the food service program were understated by \$33,617, and the ending cash balance of the food service program was overstated by \$102,075. When completing the AFR, the Food Service Director used the financial records of the FSMC, not the School Corporation.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was isolated to the Annual Financial Reports, but was also a systemic issue throughout the audit period.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

CENTRAL NOBLE 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). . . ."

7 CFR 210.16(a) states in part:

". . . Any school food authority that employs a food service management company in the operation of its nonprofit school food service shall: . . .

- (2) Ensure that the food service operation is in conformance with the school food authority's agreement under the Program; . . .
- (4) Retain control of the quality, extent, and general nature of its food service, and the prices to be charged the children for meals; . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:  
. . .

- (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. . . ."

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 Department of Education's *General Instructions: Annual Financial Report* states:

"All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used.

The income total and expense total boxes should agree exactly with total revenues and total expenditures recorded in the SFA's accounting records. All expenses need to be allocated appropriately to all existing programs."

*Cause*

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Effect*

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

*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 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 2018-006**

Subject: School Breakfast Program, National School Lunch Program - 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 2016-17, FY 2017-18

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

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

*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 - Verification of Free and Reduced Price Applications (NSLP).

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, performed the verification of free and reduced price applications with no evidence of a review or approval process monitored by the School Corporation to ensure that the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement was met.

The verification process was performed on a predetermined percentage of applications. For fiscal year 2016-2017 and 2017-2018, a total of 22 applications were verified as required. Of the 5 verified applications sampled, 2 applications resulted in incorrect eligibility determinations, and 1 of the applications utilized an ineligible document to verify income.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls and noncompliance over the verification of free and reduced price applications 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). . . ."

7 CFR 245.6a(f)(7) states:

"*Eligibility changes.* Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Programs: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-17, FY 2017-18  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The School Corporation had a service agreement with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, prepared and submitted the paid lunch equity calculation with no evidence of a review or approval process that was monitored by the School Corporation to ensure that the Special Tests and Provisions - Paid Lunch Equity compliance requirement was met.

For fiscal year 2017-2018, the Food Service Director completed the paid lunch equity calculation with the appropriate source documentation; however, the price per meal charged at the Jr/Sr High School was incorrectly input into the calculation, resulting in the average meal price to be overstated by \$0.12, and an incorrect assessment of whether to raise school lunch prices for the subsequent school year.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The non-compliance was isolated to fiscal year 2017-2018.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

CENTRAL NOBLE 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). . . ."

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 established an effective system of internal controls that would have ensured compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*Effect*

The failure to establish an effective internal control system 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.

*Recommendation*

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

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2018-008***

Subject: Special Education Cluster (IDEA) - Earmarking, Reporting  
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): 14217-044-PN01, 18611-044-PN01  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting  
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 Matching, Level of Effort, Earmarking and Reporting compliance requirements.

The School Corporation was a participating member school corporation of the Northeast Indiana Special Education Cooperative (Cooperative). The School Corporation partially prepared the Proportionate Share Monitoring Report, based on supporting documentation, and it was later completed at the Cooperative. There was no review, oversight, or approval process at the School Corporation level over the preparation of the reports.

Documentation supporting the Proportionate Share Quarterly Monitoring Reports to determine if the earmarking and reporting requirements were met was not properly maintained and provided for audit.

*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 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:  
. . .

- (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. . . ."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish internal controls related to the grant agreement and the Matching, Level of Effort, Earmarking, and Reporting compliance requirements.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2018-009**

Subject: Special Education Cluster (IDEA) - Level of Effort - Maintenance 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): 14216-044-PN01, 14217-044-PN01,  
45717-044-PN01, 18611-044-PN01,  
18619-044-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 level of effort - maintenance of effort requirement of the Matching, Level of Effort, Earmarking compliance requirement.

The Treasurer prepared the level of effort - maintenance of effort calculation for the applications for fiscal years 2017-2018 and 2018-2019. An oversight or review process related to the calculation had not been established.

The actual local expenditures entered into the calculations were not supported by the School Corporation's records. If the actual local expenditures were reported correctly, the School Corporation would not have met the level of effort - maintenance of effort requirement of the Matching, Level of Effort, Earmarking compliance requirement.

*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). . . ."

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

34 CFR 300.203(b) states:

*"Compliance standard.*

(1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.

(2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:

- (i) Local funds only;
- (ii) The combination of State and local funds;
- (iii) Local funds only on a per capita basis; or
- (iv) The combination of State and local funds on a per capita basis.

(3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

*Cause*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the level of effort - maintenance of effort requirement of the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the level of effort - maintenance of effort requirement.

*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 level of effort - maintenance of effort requirement.

*Views of Responsible Officials*

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



# Central Noble Community School Corporation

Albion Elementary    Central Noble Junior-Senior High School    Wolf Lake Elementary



## CORRECTIVE ACTION PLAN

### **FINDING 2018--001**

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools implemented controls for cash and investments and receipts, which were all implemented in January 2018. Central Noble will establish a process where payroll disbursements will be reviewed and approved by someone at Central Office prior to disbursement.

Anticipated Completion Date: June 30, 2019

### **FINDING 2018--002**

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal controls related to preparation of the schedule of expenditures of federal awards (SEFA) by creating review procedures to ensure accurate reporting on the SEFA.

Anticipated Completion Date: June 30, 2019

### **FINDING 2018--003**

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding



Description of Corrective Action Plan: Central Noble Schools in cooperation with the approved food service vendor will implement a process for the appropriate personnel to be assigned and trained to review free and reduced application to ensure proper eligibility.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--004***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal controls related to program income by creating review procedures to ensure accurate implementation of school lunch prices and transfer of program income.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--005***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools in cooperation with the approved food service vendor will implement internal controls for reporting. The appropriate personnel at Central Office will be assigned and trained to review annual financial reporting, reimbursement reports and verification collection reports filed by the Food Service Management Company.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--006***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools in cooperation with the approved food service vendor will implement internal controls for verification. The appropriate personnel at Central Office will be assigned and trained to review free and reduced applications, monitor the verification process, and accounts to ensure compliance.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--007***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will have a copy of the completed PLE calculator submitted for board approval and review included in the board packet on an annual basis prior to the start of each school year.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--008***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal control procedures by establishing a review process for the earmarking and reporting for the proportionate share report provided to the Northeast Indiana Special Education Cooperative.

Anticipated Completion Date: June 30, 2019

***FINDING 2018--009***

Contact Person Responsible for Corrective Action: Miranda Wilkins  
Contact Phone Number: 260-636-2175

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Central Noble Schools will implement internal control procedures by establishing a review process for the maintenance of effort reporting.

Anticipated Completion Date: June 30, 2019

Miranda Wilkins  
(Signature)

Business Manager  
(Title)

4/8/19  
(Date)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**TRAINING ON INTERNAL CONTROL STANDARDS**

For the period ending June 30, 2018, the legislative body of the School Corporation failed to ensure that personnel received training concerning the internal control standards and procedures adopted by the political subdivision.

The legislative body of the School Corporation adopted internal control standards on August 16, 2016. Internal Control Training Certification forms were not retained for the audit period; therefore, we are unable to determine if the legislative body had ensured that personnel received training.

Indiana Code 5-11-1-27(g) states in part:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that: . . .

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The Treasurer of the School Corporation certified in writing, on August 30, 2017, that the minimum internal control standards had been adopted by the political subdivision and personnel had received training as required. The School Board had adopted the minimum internal controls standards on August 16, 2016; however, we were unable to determine if personnel had received training due to lack of documentation.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**PREPAID SCHOOL MEAL ACCOUNTS**

The same comment also appeared in prior Report B49487.

The Historical Balances report was a detailed listing of all student and adult school lunch account balances. The Historical Balances Report cash balance did not agree with the School Corporation's financial ledger Food Service Trust cash balance. At June 30, 2017, the Historical Balances report totaled a deficit of (\$8,577) and the Food Service Trust fund cash balance was \$34,391. At June 30, 2018, the Historical Balances report totaled a deficit of (\$4,915) and the Food Service Trust fund cash balance was \$58,248. The differences appear to be the result of untimely posting and inaccurate assessment of program income.

The Historical Balances report, at June 30, 2018, that totaled (\$4,915) consisted of (\$15,472) as negative prepaid and \$10,557 as positive prepaid balances. Some students had accumulated an unpaid balance in excess of \$248 which would be equivalent of 95 unpaid lunches. The School Board changed their meal charge policy dated May 17, 2016, to include ". . . students . . . may be permitted to charge no more than three school meals." If the School Board elects to write off the unpaid balances, then they must be approved by the School Board as uncollectible.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Units have a responsibility to collect amounts owed to the unit pursuant to procedures authorized by law. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The governing body of a unit must have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balance. Documentation must exist for all efforts made by the unit to collect amounts owed prior to any write-offs. Write-offs or adjustments to records which are not documented or warranted may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

**OVERDRAWN CASH BALANCES**

A similar comment also appeared in prior Reports B45063 and B49487, entitled *OVERDRAWN CASH BALANCES*.

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2017 and 2018:

Fund	Amount Overdrawn June 30, 2017	Amount Overdrawn June 30, 2018
School Bus Replacement	\$ (4,217)	\$ -
School Lunch	(17,562)	(56,562)
Payroll Withholdings	-	(3,803)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**ANNUAL FINANCIAL REPORT - SUPPLEMENTAL SCHEDULES**

The School Corporation had electronically submitted the required Schedule of Payables and Receivables and the Schedule of Capital Assets into the Indiana Gateway for Government Units financial reporting system for fiscal year ending June 30, 2018. However, these schedules were not correct and did not reflect the financial activity of the School Corporation. The School Corporation incorrectly reported that they had no payables or receivables and capital assets were overstated by \$9,915,434 based on supporting documentation provided for audit.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

**PENALTIES, INTEREST, AND OTHER CHARGES**

During the audit period, the School Corporation incurred overdraft charges and undeliverable mail charges. These charges were the result of an inadequately reconciled Self-Insurance fund depository and a change in address of the self-insurance third-party administrator of healthcare reimbursement activities.

The following is a schedule, by year, of the overdraft and undeliverable mail charges paid:

Period	Overdraft Charges	Undeliverable Mail Charges
July 1, 2016 to June 30, 2017	\$ 185	\$ 72
July 1, 2017 to June 20, 2018	1,776	30
Totals	<u>\$ 1,961</u>	<u>\$ 102</u>

The School Corporation also incurred analysis activity business charges for the operation of the Self-Insurance fund depository. The Self-Insurance fund depository closed in February 2018. Total analysis activity business charges for fiscal years 2017 and 2018 were \$841 and \$516, respectively.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the unit. Any penalties, interest, or other charges paid by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

***SUPPORTING DOCUMENTATION***

In September 2017, the School Corporation hired a financial consultant to aid in a transition within the Treasurer position. The consultant posted a disbursement adjustment to the Self-Insurance fund of \$59,022 in the effort to reconcile the School Corporation ledger to the depository balances of the self-insurance related bank accounts. This entry lacked documentation to support the accountability of monies disbursed.

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The correction of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public Schools, Chapter 1)

***NEGATIVE DISBURSEMENTS***

During the audit, it was noted that the Payroll Withholdings fund had significant differences for receipts and disbursements between the fiscal years 2016-2017 and 2017-2018. It was determined that when the School Corporation changed accounting software in November of 2017, the provider changed the function of the receipts in the Payroll Withholding fund to become negative disbursements. This caused items to be zeroed out instead of recorded and caused receipts and disbursements to be reduced below actual activity. Audit adjustments were proposed, accepted by the School Corporation, and made to the Payroll Withholdings fund to increase receipts and disbursements by \$1,813,208 in fiscal year 2017-2018.

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

***BANK ACCOUNT RECONCILIATIONS***

The School Corporation did not have an effective internal control in place over the preparation of the monthly bank account reconciliations. Bank account reconciliations were prepared by one individual without a proper system of oversight or review until January 2018.

Depository reconciliations of the fund balance to the bank account balances were conducted; however, the School Corporation's bank account reconciliations and records included discrepancies as follows:

1. There were 224 monthly bank statements presented for audit, a sample of 34 statements were tested for proper reconciliation to unit records. Of the 34 reconciliations tested, 29 did not properly reconcile the depository balances to fund balances and included unexplained differences, which ranged between \$507.68 and (\$978.05).
2. During the 24-month period under audit, two bank accounts were never included within the bank reconciliation process. One account was an inactive Self-Insurance bank account, which was closed in June of 2017. The other account remained active until February of 2018 and was also related to the Self-Insurance fund activities.

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 8, 2019, with Miranda R. Wilkins, Treasurer; Troy A. Gaff, Superintendent of Schools; Eric J. Custer, President of the School Board; John Fitzpatrick, School Board member; and Erin Schoeff, School Board member.