

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WES-DEL COMMUNITY SCHOOL CORPORATION

DELAWARE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
06/03/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Fowler	07-01-16 to 06-30-19
Superintendent of Schools	Michael Bush	07-01-16 to 06-30-18
	Kyle Mealy	07-01-18 to 06-30-19
President of the School Board	Julie Heron	01-01-16 to 12-31-16
	Dick Johnson	01-01-17 to 12-31-17
	Steve Dowling	01-01-18 to 12-31-18
	Dick Johnson	01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WES-DEL COMMUNITY SCHOOL  
CORPORATION, DELAWARE COUNTY, INDIANA

This report is supplemental to our audit report of the Wes-Del Community School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](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

May 13, 2019

WES-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

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

*Repeat Finding*

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

*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 was the source of the School Corporation's SEFA. The School Corporation did create an approval process involving the Superintendent of Schools' review of the SEFA to ensure that it was accurate. However, the approval process was not verifiable, nor did it detect the errors in the SEFA. The Treasurer prepared the federal award information entered into Gateway without an effective control in place to prevent, or detect and correct, errors prior to submission.

*Context*

The SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$78,839 and \$37,202 for the periods ending June 30, 2017 and 2018, respectively. These amounts included the omission of commodities.
2. The Special Education Cluster (IDEA) expenditures were overstated by \$9,437 and understated by \$936 for the periods ending June 30, 2017 and 2018, respectively.
3. The Title I Grants to Local Educational Agencies expenditures were understated by \$1,650 for the period ending June 30, 2017.
4. The Rural Education expenditures were understated by \$12,898 for the period ending June 30, 2018.
5. Not all program names, grants and identifying numbers were correct or listed.

Audit adjustments 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:

WES-DEL 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. . . ."

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.
- (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.

WES-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

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

*Effect*

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

*Recommendation*

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

*Views of Responsible Officials*

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

***FINDING 2018-002***

Subject: Child Nutrition Cluster - Eligibility, 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,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, 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 finding number was 2016-003.

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements:

*Eligibility*

Determination of eligibility was made by one individual without the oversight or review by another individual.

WES-DEL COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Reporting*

Annual Financial Reports and School Food Authority (SFA) Verification Collection Reports were completed by one individual without any oversight or review.

*Special Tests and Provisions- Verification of Free and Reduced Price Applications (NSLP) (School Breakfast Program and National School Lunch Program only)*

The School Corporation prepared and submitted the School Food Authority (SFA) Verification Collection Reports without evidence of a proper system of oversight or review.

*Context*

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

*Criteria*

2 CFR section 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 would have ensured compliance with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

*Questioned Costs*

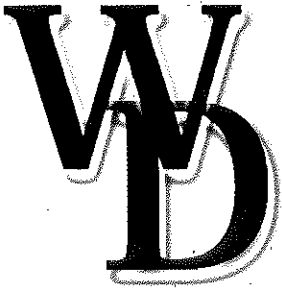
There were no questioned costs identified.

*Recommendation*

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



CORRECTIVE ACTION PLAN

**FINDING 2018-001**

Contact Person Responsible for Corrective Action: Sharon Fowler  
Contact Phone Number: (765) 358-4006

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: On the SEFA report, the same grant but different years were combined instead of separated. This will be corrected with the 2018-19 submission.

Beginning with the 2018-19 year, the Superintendent will review and verify the SEFA report before submission.

Anticipated Completion Date: July, 2018

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Penny Hirons  
Contact Phone Number: (765) 358-4006

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Beginning in 2019, the cafeteria director will have a second individual review and verify all reporting for Child Nutrition Cluster, including the determination of eligibility.

Anticipated Completion Date: June, 2019

Sharon Fowler  
(Signature)

Corp. Treasurer  
(Title)

5/13/19  
(Date)

WES-DEL COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2019, with Sharon Fowler, Treasurer; Kyle Mealy, Superintendent of Schools; and Dick Johnson, President of the School Board.