

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WA-NEE COMMUNITY SCHOOLS

ELKHART 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	Roger B. Zentz Randi Libby	07-01-16 to 05-31-17 06-01-17 to 06-30-19
Superintendent of Schools	Joseph M. Sabo Scot Croner	07-01-16 to 06-30-17 07-01-17 to 06-30-19
President of the School Board	Don Lehman	01-01-16 to 12-31-19



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TO: THE OFFICIALS OF THE WA-NEE COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

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

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

April 29, 2019

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting of receipts.

The School Corporation had not designed or implemented proper segregation of duties related to receipts. One employee issued and recorded receipts to the financial software without evidence of an oversight, review, or approval process.

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 of the School Corporation had not established a proper system of internal control.

Effect

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

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting of receipts.

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 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Program Income, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit regarding program income. The prior audit 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 compliance requirements listed above.

Program Income

The School Corporation did not have controls in place to ensure program income receipted into the School Lunch Fund reconciled to reports provided by the food service software. The Deputy Treasurer used reports provided by the food service software to enter program information into the accounting system without a process for oversight, review, or approval by any other individual.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the Paid Lunch Equity calculation made on an annual basis utilizing the USDA provided tool was accurate. One employee prepared the Paid Lunch Equity calculation without an oversight or review process to ensure the accuracy of the calculation.

Context

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

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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.

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 Program Income and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

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: Child Nutrition Cluster - Equipment, Allowable Costs/Cost Principles, 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 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Equipment and Real Property Management, Allowable
Costs/Cost Principles, Program Income

Audit Finding: Material Weakness, Other Matters

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the equipment requirements of the compliance requirements listed above.

Equipment - Equipment and Real Property Management

The School Corporation did not comply with the equipment requirements of the Equipment and Real Property Management, Allowable Costs/Cost Principles, and Program Income compliance requirements. The School Corporation did not maintain an accurate list of capital assets that reflected the fund from which the assets were purchased nor was an inventory of assets performed at least every two years.

Equipment - Allowable Costs/Cost Principles, Program Income

The School Corporation had two equipment purchases during the audit period but did not get permission from the Department of Agriculture or the Indiana Department of Education for either of the purchases, which resulted in noncompliance with Allowable Costs/Cost Principles and Program Income compliance requirements.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. No inventory was taken during the audit period and permission was not obtained for equipment purchases.

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 200.307(e) states in part:

"*Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures. . . .

- (2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award. . . ."

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

2 CFR 200.439(b) states in part:

"The following rules of allowability must apply to equipment and other capital expenditures:

. . .

- (2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the requirements listed above.

Effect

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

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Procurement

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 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 procurement requirement of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established effective controls to ensure that proper procurement policies were followed. The School Corporation did not always invite or obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . .

Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the small purchase procurement requirement of the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the small purchase procurement requirement of the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the small purchases procurement requirement of the Procurement and Suspension and Debarment 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 2018-005

Subject: Special Education Cluster (IDEA) - Level of Effort/Maintenance of Effort, Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-014-PN01, 14217-014-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Finding: Material Weakness

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the level of effort/maintenance of effort and earmarking portions of the Matching, Level of Effort, Earmarking compliance requirement.

Level of Effort/Maintenance of Effort

The Maintenance of Effort Calculator (MOE) worksheet was completed by the Treasurer without evidence of a review or oversight.

Earmarking

There was not a proper system of oversight and review in place to ensure the School Corporation spent the required proportionate share of the grant on non-public schools within the School Corporation's boundaries.

Context

The lack of controls was a systemic issue that applied throughout the audit for level of effort/maintenance of effort; the lack of controls over earmarking was limited to the 14216-014-PN01 Grant.

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.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Questioned Costs

There were no questioned costs identified.

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Matching, Level of Effort, Earmarking 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: Special Education Cluster (IDEA) - 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): 14216-014-PN01, 14217-014-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: 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 Reporting compliance requirement.

The Final Reports and Quarterly Proportionate Share Monitoring reports were not filed with the Elkhart County Special Education Cooperative (ECSEC) as required during the audit period.

Context

The lack of controls and noncompliance were systemic issues that occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.302(b) states in part:

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

. . .

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . .
- (3) Records that identify adequately the source and application of funds for federally funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

Cause

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

Effect

The failure to establish an effective internal control system allowed material noncompliance to go undetected. Noncompliance with the grant agreement and the Reporting compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

FINDING 2018-007

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

Condition

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

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The ECSEC failed to complete the final reports and the quarterly monitoring reports required to be filed with the Indiana Department of Education during the audit period for the member school corporations.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.327 states:

"Unless otherwise approved by OMB, the Federal awarding agency may solicit only the standard, OMB-approved governmentwide data elements for collection of financial information (at time of publication the Federal Financial Report or such future collections as may be approved by OMB and listed on the OMB Web site). This information must be collected with the frequency required by the terms and conditions of the Federal award, but no less frequently than annually nor more frequently than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the Federal award or could significantly affect program outcomes, and preferably in coordination with performance reporting."

2 CFR 200.328 states:

"(a) *Monitoring by the non-Federal entity.* The non-Federal entity is responsible for oversight of the operations of the Federal award supported activities. The non-Federal entity must monitor its activities under Federal awards to assure compliance with applicable Federal requirements and performance expectations are being achieved. Monitoring by the non-Federal entity must cover each program, function or activity. See also § 200.331 Requirements for pass-through *entities*.

(b) *Non-construction performance reports.* The Federal awarding agency must use standard, OMB-approved data elements for collection of performance information (including performance progress reports, Research Performance Progress Report, or such future collections as may be approved by OMB and listed on the OMB Web site).

- (1) The non-Federal entity must submit performance reports at the interval required by the Federal awarding agency or pass-through entity to best inform improvements in program outcomes and productivity. Intervals must be no less frequent than annually nor more frequent than quarterly except in unusual circumstances, for example where more frequent reporting is necessary for the effective monitoring of the

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Federal award or could significantly affect program outcomes. Annual reports must be due 90 calendar days after the reporting period; quarterly or semiannual reports must be due 30 calendar days after the reporting period. Alternatively, the Federal awarding agency or pass-through entity may require annual reports before the anniversary dates of multiple year Federal awards. The final performance report will be due 90 calendar days after the period of performance end date. If a justified request is submitted by a non-Federal entity, the Federal agency may extend the due date for any performance report.

- (2) The non-Federal entity must submit performance reports using OMB approved governmentwide standard information collections when providing performance information. As appropriate in accordance with above mentioned information collections, these reports will contain, for each Federal award, brief information on the following unless other collections are approved by OMB:

(i) A comparison of actual accomplishments to the objectives of the Federal award established for the period. Where the accomplishments of the Federal award can be quantified, a computation of the cost (for example, related to units of accomplishment) may be required if that information will be useful. Where performance trend data and analysis would be informative to the Federal awarding agency program, the Federal awarding agency should include this as a performance reporting requirement.

(ii) The reasons why established goals were not met, if appropriate.

(iii) Additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

(c) *Construction performance reports.* For the most part, onsite technical inspections and certified percentage of completion data are relied on heavily by Federal awarding agencies and pass-through entities to monitor progress under Federal awards and subawards for construction. The Federal awarding agency may require additional performance reports only when considered necessary.

(d) *Significant developments.* Events may occur between the scheduled performance reporting dates that have significant impact upon the supported activity. In such cases, the non-Federal entity must inform the Federal awarding agency or pass-through entity as soon as the following types of conditions become known:

- (1) Problems, delays, or adverse conditions which will materially impair the ability to meet the objective of the Federal award. This disclosure must include a statement of the action taken, or contemplated, and any assistance needed to resolve the situation.
- (2) Favorable developments which enable meeting time schedules and objectives sooner or at less cost than anticipated or producing more or different beneficial results than originally planned.

(e) The Federal awarding agency may make site visits as warranted by program needs.

(f) The Federal awarding agency may waive any performance report required by this part if not needed."

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation and the ECSEC had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the ECSEC.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-008

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 16-2285, 17-2285, 18-2285
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Finding: 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 had not established controls to ensure that appropriate time records were maintained in support of compensation paid to employees from grant funds. The School Corporation did not provide completed documentation that would have served as a certification of days or hours worked for the Title I program for two employees.

Payroll

The School Corporation paid \$99,723.10 in salaries/wages for management and bookkeepers positions, which were allocated to the Title I funds based on fixed percentages. There was no supporting documentation to indicate how the percentages were determined.

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue throughout the audit period. The lack of supporting documentation was limited to the compensation of two employees.

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 200.430(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 a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

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

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were questioned costs of \$99,723.10 identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the Allowable Costs/Cost Principles 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 2018-009

Subject: Title I Grants to Local Educational Agencies - Internal Controls

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 16-2285, 17-2285, 18-2285

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles;
Eligibility; Special Tests and Provisions - Annual Report Card,
High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-004 from the immediate prior audit with regards to Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

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 compliance requirements listed above.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Controls were implemented over vendor claims; however, the control was not effective in 2 of the 40 claims tested.

Eligibility

Real Time reports submitted to the state are used as the basis for Title I eligibility. The Real Time reports for the School Corporation were created from the School Corporation's student information system (SIS). However, the School Corporation had not implemented controls to ensure the information input into the SIS or the Real Time reports prior to submission to the state was accurate.

WA-NEE COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

There was no documented review by a knowledgeable individual that would ensure appropriate documentation was retained for students removed from the graduation cohort.

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 that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the above listed compliance requirements. 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 program.

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 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.



CORRECTIVE ACTION PLAN

FINDING 2018-001

Fiscal year in which the finding initially occurred:	2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	IDOE
Contact Person Responsible for Corrective Action:	Randi Libby
Contact Phone Number:	574-773-3131

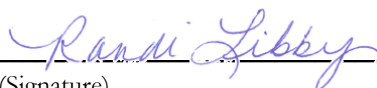
Views of the Responsible Official:

Please note our exit interview for the 2014-2016 SBOA audit took place May 22, 2018. Keep in mind that while many of our 2014-16 findings are corrected as soon as feasibly possible the delayed timing of the audit left Wa-Nee very little time (27 business days) to complete corrective action prior to the end of the 2016-2018 audit period. It is our belief the language, "One employee issued and recorded receipts to the financial software without evidence of an oversight, review, or approval process", is not entirely accurate. The employee did have oversight of the receipts after entry; however, the report after the receipts were entered into the financial software was broken down by date of receipts rather than by fund to ensure the receipts were coded to the appropriate fund.

Description of Corrective Action Plan:

Internal control systems and segregation of duties related to receipts have been established and will continue following the performed audit. The Business Manager will open all mail and review receipts and invoices. The mail includes invoices and checks. The deputy treasurer prepares the written receipts. Once receipts are prepared the Business Manager and/or the Payroll Clerk will review prior to the Deputy Treasurer posting within the accounting software. As of March 31, 2019, once the Deputy Treasurer posts in the financial software program a receipt breakdown by fund is generated along with the receipts for the business manager to review after entry. The Deputy Treasurer prepares the monthly bank reconciliation and the Business Manager reviews and approves each month.

Completion Date: Fully implemented as of March 31, 2019



(Signature)

Business Manager
(Title)

04/26/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-002

Fiscal year in which the finding initially occurred:	2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	IDOE
Contact Person Responsible for Corrective Action:	Randi Libby
Contact Phone Number:	574-773-3131

Views of the Responsible Official:

Please note our exit interview for the 2014-2016 SBOA audit took place May 22, 2018. Keep in mind that while many of our 2014-16 findings are corrected as soon as feasibly possible the delayed timing of the audit left Wa-Nee very little time (27 business days) to complete corrective action prior to the end of the 2016-2018 audit period.

Status of Audit Finding:

The cafeteria managers will prepare receipts on a regular basis and send to the Deputy Treasurer for review. The Deputy Treasurer prepares the written receipts. Once receipts are prepared the Business Manager and/or the Payroll Clerk will review prior to the Deputy Treasurer posting within the accounting software. As of March 31, 2019, once the Deputy Treasurer posts in the financial software program a receipt breakdown by fund is generated along with the receipts for the business manager to review after entry. The Deputy Treasurer prepares the monthly bank reconciliation and the Business Manager reviews and approves each month.

Annually the Paid Lunch Equity tool will be calculated by the Business Manager and reviewed by the Food Service Director prior to being submitted to the Department of School Nutrition (IDOE)

Completion: Fully implemented as of March 31, 2019

Randi Libby
(Signature)

Business Manager
(Title)

04/26/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-003

Fiscal year in which the finding initially occurred:	2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	IDOE
Contact Person Responsible for Corrective Action:	Randi Libby
Contact Phone Number:	574-773-3131

Views of the Responsible Official:

Please note our exit interview for the 2014-2016 SBOA audit took place May 22, 2018. Keep in mind that while many of our 2014-16 findings are corrected as soon as feasibly possible the delayed timing of the audit left Wa-Nee very little time (27 business days) to complete corrective action prior to the end of the 2016-2018 audit period. An inventory of assets was performed just after the audit period in October of 2018.

Status of Audit Finding:

In the event equipment needs to be purchased above the materiality threshold, the Food Service Director will send a written request to the Indiana Department of Education School Nutrition Department for review and approval. Upon written approval the proper procurement procedures will continue. Procurement will include a requisition along with the written approval to the Business Manager prior to a purchase order being created by the Business Office Clerk.

The Deputy Treasurer will add equipment for all funds that is above the material threshold of \$5,000 to the inventory spreadsheet. The Deputy Treasurer will include the appropriate fund within the spreadsheet. At the end of each fiscal year the Business Manager will review and approve additions to the spreadsheet prior to submission to the SBOA Annual Financial Report through Gateway.

Completion: Fully implemented as of March 31, 2019

Randi Libby
(Signature)

Business Manager
(Title)

04/26/2019
(Date)



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(574)773-3131
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CORRECTIVE ACTION PLAN

FINDING 2018-004

Fiscal year in which the finding initially occurred:	2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	IDOE
Contact Person Responsible for Corrective Action:	Randi Libby
Contact Phone Number:	574-773-3131

Views of the Responsible Official:

Wa-Nee does not disagree with this finding. We do believe the threshold of \$3,500 to be low and would like to note the federal micro-purchase threshold has increased to \$10,000 for FY20.

Status of Audit Finding:

In the event the Food Service department foresees the use of a vender and possibly forecasts expenditures greater than \$3,500 (or the federal micro-purchase threshold) within the fiscal period, the Food Service Director will request three quotes to compare like items. This process will be reviewed by the Business Manager for compliance.

Completion: Fully implemented as of March 31, 2019



(Signature)

Business Manager
(Title)

04/26/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-005

Fiscal year in which the finding initially occurred:	2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	IDOE
Contact Person Responsible for Corrective Action:	Randi Libby
Contact Phone Number:	574-773-3131

Views of the Responsible Official:

The Elkhart County Special Education Cooperative (ECSEC) is a public-school program serving students with disabilities in Elkhart County. Wa-Nee Community Schools is a participating member of the Cooperative. Goshen Community Schools is the administrator of the cooperative. Wa-Nee Community Schools acknowledges that as a member of the Cooperative they, along with other member schools are equally responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants.

Status of Audit Finding:

The annual completion and calculation of the Maintenance of Effort (MOE) as it pertains to Special Education expenses will be calculated and completed by the Business Manager. Upon completion the Deputy Treasurer will review and approve the MOE for accuracy prior to sending the calculation to ECSEC for submission to the Indiana Department of Education.

Quarterly, proportionate share reports will be completed by the Business Manager and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. ECSEC will review and submit to the IDOE. If Wa-Nee fails to receive the report after the quarter has ended the Business Manager will send a request to ECSEC for the report template for the requested quarter.

Completion: Fully implemented as of March 31, 2019



(Signature)

Business Manager
(Title)

04/26/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-006

Fiscal year in which the finding initially occurred:	2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	IDOE
Contact Person Responsible for Corrective Action:	Randi Libby
Contact Phone Number:	574-773-3131

Views of the Responsible Official:

The Elkhart County Special Education Cooperative (ECSEC) is a public-school program serving students with disabilities in Elkhart County. Wa-Nee Community Schools is a participating member of the Cooperative. Goshen Community Schools is the administrator of the cooperative. Wa-Nee Community Schools acknowledges that as a member of the Cooperative they, along with other member schools are equally responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants.

Status of Audit Finding:

Quarterly, proportionate share reports will be completed by the Business Manager and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. ECSEC will review and submit to the IDOE. If Wa-Nee fails to receive the report after the quarter has ended the Business Manager will send a request to ECSEC for the report template for the requested quarter.

Annually, final share reports will be completed by the Business Manager and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. ECSEC will review and submit to the IDOE. If Wa-Nee fails to receive the report after the fiscal period has ended the Business Manager will send a request to ECSEC for the report template for the requested fiscal year.

Completion: Fully implemented as of March 31, 2019



(Signature)

Business Manager
(Title)

04/26/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-007

Fiscal year in which the finding initially occurred:	2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:	IDOE
Contact Person Responsible for Corrective Action:	Randi Libby
Contact Phone Number:	574-773-3131

Views of the Responsible Official:

The Elkhart County Special Education Cooperative (ECSEC) is a public-school program serving students with disabilities in Elkhart County. Wa-Nee Community Schools is a participating member of the Cooperative. Goshen Community Schools is the administrator of the cooperative. Wa-Nee Community Schools acknowledges that as a member of the Cooperative they, along with other member schools are equally responsible to ensure that all state and federal regulations are adhered to in the accounting and documentation of the programs and related federal grants, it should be state that the shortcomings documented in this finding are of an internal nature at the administrative district, Goshen Community Schools

Status of Audit Finding:

Quarterly, proportionate share reports will be completed by the Business Manager and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. ECSEC will review and submit to the IDOE. If Wa-Nee fails to receive the report after the quarter has ended the Business Manager will send a request to ECSEC for the report template for the requested quarter.

Annually, final share reports will be completed by the Business Manager and reviewed by either the Deputy Treasurer or Special Education Director prior to sending to ECSEC. ECSEC will review and submit to the IDOE. If Wa-Nee fails to receive the report after the fiscal period has ended the Business Manager will send a request to ECSEC for the report template for the requested fiscal year.

Completion: Fully implemented as of March 31, 2019



(Signature)

Business Manager
(Title)

04/26/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-008

Fiscal year in which the finding initially occurred: 2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Randi Libby
Contact Phone Number: 574-773-3131

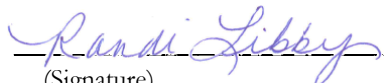
Views of the Responsible Official:

Wa-Nee Community Schools does not dispute this finding.

Status of Audit Finding:

A payroll audit record is kept on all federal grant compensated employees. Based on the percentage of the employees' cost-objective and responsibilities the employee(s) will complete either a semi-annual certification or a time and effort log. The logs will be completed and submitted to the Business Manager for review and approval.

Completion: Fully implemented as of March 31, 2019



(Signature)

Business Manager
(Title)

04/26/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-009

Fiscal year in which the finding initially occurred: 2016-2018
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Randi Libby
Contact Phone Number: 574-773-3131

Views of the Responsible Official:

Wa-Nee Community Schools does not dispute this finding.

Status of Audit Finding:

Internal control systems and segregation of duties related to the Annual Report Card-HS Graduation Rate cohort report are prepared by the Secretary to the Guidance Department and a second review will be completed by the Department Head of the Guidance Department.

Internal control systems and segregation of duties related to the changes that could result in a Real-Time Report changed are prepared by each building secretary and a second review will be completed by a second secretary in the building. The documented changes will be kept within the students cumulative file and/or in an appropriate change file for audit review.

All claims will be reviewed and approved by the Business Manager and entered by the Deputy Treasurer in the financial software system. Once entered into the software system the Board of School Trustees will approve a claim docket prior to payment issued to the vender.

Anticipated Completion Date: August 2019


(Signature)

Business Manager
(Title)

04/26/2019
(Date)

WA-NEE COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 29, 2019, with Randi Libby, Treasurer; Scott Croner, Superintendent of Schools; Don Lehman, President of the School Board; and Shawn Johnson, School Board member.