

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MIDDLEBURY COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mark D. Snyder	01-01-16 to 12-31-19
Superintendent of Schools	Jane A. Allen	07-01-15 to 06-30-21
President of the School Board	David Black Joanna King	01-01-16 to 11-19-18 11-20-18 to 12-31-19



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TO: THE OFFICIALS OF THE MIDDLEBURY COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

This report is supplemental to our audit report of the Middlebury 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

May 2, 2019

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

School Corporation Transactions - Disbursements - Fringe Benefits

There was no oversight for the School Corporation's share of fringe benefits, such as payments to the Teachers' Retirement Fund, Public Employees' Retirement Fund, and the School Corporation's share of Social Security and Medicare. These disbursements were not included on the claims docket approved by the School Board from July 2016 to May 2018.

Self-Insurance Fund - Disbursements

The activities of the Self-Insurance fund were not included in the School Corporation's ledger, but were accounted for separately by the Treasurer. The disbursements, for flex payments for certain types of insurance, were made electronically by the claims administrator without approval by the School Board. Supporting documentation was not provided for these disbursements until the School Corporation changed to a different claims administrator in October 2017.

Context

The fringe benefits not being approved by the School Board was a systemic problem that occurred from July 2016 to May 2018. The disbursements from the Self-Insurance fund not being approved by the School Board was a systemic problem that continued through the audit period. The lack of documentation for the flex payments made from the Self-Insurance fund was an issue that occurred from July 2016 to October 2017.

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.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls over financial transactions and reporting.

Effect

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

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting of fringe benefits and Self-Insurance fund disbursements.

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 Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit.

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). There was no documentation of review or oversight over compiling and submitting the information for the SEFA.

Context

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

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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. . . .

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control in relation to preparation of the SEFA.

Effect

The failure to establish controls could have enabled material misstatements of the SEFA to remain undetected.

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.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2018-003

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: Cash Management, Eligibility, Program Income, Reporting,
Special Tests and Provisions - Verification of Free and
Reduced Price Applications (NSLP), Special Tests and
Provisions - School Food Accounts, Special Tests
and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

Cash Management - There were no internal controls in place at the School Corporation to ensure that the School Corporation was in compliance with the cash management requirement that they limit their net cash resources in the School Lunch fund to the three months average expenditures of the food service program.

Eligibility - The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software by applicants or school personnel. The School Corporation did not have a documented system of oversight or review to ensure that the federal income guidelines entered into the software program agreed to the guideline set forth by the Indiana Department of Education.

Program Income - There were no documented controls in place to ensure that the accurate amount of program income, identified in the meal counting software, was recorded into the financial records. One individual at the School Corporation created a "School Food Serve Daily Record of Cash" Excel spreadsheet, which abstracted from the meal counting software, the daily money received. This report was then used by the Treasurer to record program income (cash and money earned from the prepaid account) in the financial records; however, the Excel spreadsheet was not compared to the meal counting software to ensure accuracy by anyone other than the preparer.

Reporting - One individual prepared the Monthly Claims for Reimbursement (Claims); however, there was no documentable control in place to ensure someone other than the preparer was reviewing the Claims for accuracy.

Special Tests and Provisions:

Verification of Free and Reduced Price Applications (NSLP) - One individual verified the income supporting documentation and made the determination if a change to eligibility was necessary. There was no oversight or review to ensure accuracy.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

School Food Accounts - There were no documentable controls in place to ensure someone at the School Corporation was reviewing the transactions posted to the School Lunch fund during the audit period.

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.

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 of the School Corporation 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 material noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed material noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2018-004

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, and 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: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and the Program Income compliance requirements. The School Corporation failed to comply with the requirements listed as follows:

Payroll

The School Corporation paid \$346,251 in salaries/wages for management, custodian, and bookkeeper positions, which were allocated to the School Lunch fund based on fixed percentages. There was no supporting documentation to indicate how the percentages were determined. Adequate time records were not maintained to support the time charged to the federal award.

There was one instance in which one food service employee was paid the incorrect rate for a portion of time. It was determined the employee was overpaid \$1,722 during the audit period.

We consider the wages paid in the amount of \$347,972 to be questioned costs.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period with the exception of the individual paid the incorrect rate, which was an isolated instance.

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). . . ."

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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. . . . 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. . . ."

7 CFR 210.14(a) states:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)"

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction:

- (1) . . . (ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*); . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

2 CFR 200.302(b)(3) states:

"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

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and the Program Income compliance requirements.

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 listed above could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

The \$347,972 payroll expenditures paid from the School Lunch fund, as described in the *Condition*, were considered questioned costs.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-005

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Equipment and Real Property Management, and 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: Allowable Costs/Cost Principles, Equipment and Real Property Management, Program Income
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 Equipment and Real Property Management, Allowable Costs/Cost Principles, and the Program Income compliance requirements.

Equipment

The School Corporation did not comply with the equipment requirements of the Equipment and Real Property Management compliance requirement. The School Corporation did not maintain an accurate list of capital assets that reflected the source of funding from which the assets were purchased. The School Corporation renovated the kitchen at Heritage Intermediate School. Equipment totaling \$295,173 was purchased for the renovation, \$200,000 of this cost was paid from the federal program.

The School Corporation's June 30, 2018 Capital Assets Listing (Inventory) included the renovations made to the building; however, the values recorded in the Inventory did not agree to the supporting documentation regarding the actual costs paid. In addition, the Inventory did not include all the required information for the assets acquired, including the source of the funding.

Equipment, Allowable Costs/Cost Principles, Program Income

The School Corporation had equipment purchases exceeding \$5,000 during the audit period, but did not get permission from the Department of Agriculture or the Indiana Department of Education for the purchases, which resulted in noncompliance with Allowable Costs/Cost Principles and use of Program Income compliance requirements.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The lack of internal 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 200.313(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. . . ."

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. . . . 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.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled 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.

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 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 2018-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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

MIDDLEBURY 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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation did not always obtain price and rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Suspension and Debarment

During fiscal year 2016-2017, the School Corporation entered into a contract for kitchen equipment of which \$200,000 was purchased with grant funds. The School Corporation failed to ensure the vendor was not suspended or debarred before entering into the contract.

Context

The lack of controls was a systemic issue throughout the audit period. The procurement noncompliance was isolated to the vendors tested under the small purchase procedures. The suspension and debarment noncompliance was isolated to the contract for the kitchen equipment/renovation.

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 200.320 states in part:

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

(b) 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. . . ."

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 200.318(i) states:

"The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the procurement, suspension, and debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the procurement, suspension, and debarment requirements 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 internal controls to ensure compliance, and comply with the grant agreement and 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.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2018-007

Subject: Child Nutrition Cluster - Reporting
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: 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.

Annual Financial Report

In the fiscal years 2016-2017 and 2017-2018 Annual Financial Reports, expenditure classifications were not properly categorized. In the 2017-2018 Annual Financial Report, the equipment expenditures line item was overstated by \$51,867 and the miscellaneous expenditures line item was understated \$51,867.

Verification Report

The 2016-2017 and 2017-2018 Verification Reports did not agree to the School Corporation's records. In the 2016-2017 Verification Report, the number of the Free and Reduced Applications did not agree to the meal counting software reports. Also, the Results of Verification by Original Benefit Type table did not agree to the results of the verified applications. In the 2017-2018 Verification Report, the number of the Free and Reduced Applications did not agree to the meal counting software reports.

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). . . ."

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the reporting requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the 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 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 2018-008

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): 14216-016-PN01, 14217-014-PN01,
18611-014-PN01, 45716-014-PN01,
45718-016-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-005.

MIDDLEBURY 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 Matching, Level of Effort, Earmarking compliance requirement.

Maintenance of effort calculations were being performed by one individual without an oversight, review, or approval process to ensure accuracy.

The expenditures used to determine compliance with the maintenance of effort calculation were not consistent from year to year and as a result, the maintenance of effort requirement for fiscal year 2018 were not met. The expenditures used on the 2018 application included expenditures from July 1, 2016 to August 31, 2017, while the expenditures used for the 2019 application used expenditures from July 1, 2017 to June 30, 2018. Due to the overstatement of expenditures on the 2018 application, the total expenditures per child calculation did not exceed the amount that was calculated on the 2017 application.

Context

The lack of internal controls was systemic throughout the audit period and the noncompliance was applicable to the 2018 application.

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). . . ."

34 CFR 300.203 states in part:

". . . (b) *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;

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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

Management had not developed a system of internal controls that segregated key functions and that would have ensured compliance with the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to establish an effective internal control system enabled 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.

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 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 2018-009

Subject: Special Education Cluster (IDEA) - Reporting
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Numbers: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-016-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.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Quarterly Proportionate Share Monitoring Financial Reports (Report) for projects 14216-016-PN01 and 14217-014-PN01 were not completed and submitted to the Elkhart County Special Education Cooperative (ECSEC). The last Report filed for project 14216-016-PN01 covered wages from January 1, 2016 to March 31, 2016, and no Reports were filed for project 14217-01-PN01 during the audit period.

Context

The lack of controls and the 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 200.302(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. . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled 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.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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 2018-010

Subject: Special Education Cluster (IDEA) - Reporting

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): 14216-016-PN01, 45716-014-PN01

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 report. The prior audit finding number was 2016-011.

Condition

The Elkhart County Special Education Cooperative (ECSEC) is a public school program serving approximately 3,400 students with disabilities, ranging from 3 to 22 years old, in Elkhart County. The School Corporation is a member school corporation of the ECSEC. Effective internal control systems were not in place at the School Corporation or the ECSEC in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

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 the noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MIDDLEBURY COMMUNITY SCHOOLS
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). . . ."

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. . . ."

Cause

The School Corporation and the ECSEC had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting compliance requirement.

Effect

The failure to establish an effective system of internal controls enabled material noncompliance to remain 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 and the ECSEC's management establish internal controls related to the grant agreement and the Reporting compliance requirement, and to comply with the compliance requirement.

Views of Responsible Officials

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

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2018-011

Subject: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Assessment System Security
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): 16-2275, 17-2275, 18-2275
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Special Tests and Provisions - Assessment System Security
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior year 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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Assessment System Security compliance requirements.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The Business Manager Assistant updated the employee's file of employees to be paid from the grant funds. There was no oversight, review, or approval process following the update to ensure that only appropriate employees were paid from the grants.

Special Tests and Provisions - Assessment System Security

The School Corporation did not have a process in place to ensure that all individuals involved in the testing process received the proper training and signed the required Indiana Testing Security and Integrity Agreement. At the high school, sign-in sheets were used to ensure that everyone who attended the training also signed the agreements. This process was not used at the other school locations.

Context

The lack of controls over Activities Allowed or Unallowed and Allowable Costs/Cost Principles were not present in the first 18 months of the audit period.

There were no documented controls over the Special Tests and Provisions - Assessment System Security compliance requirement throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

MIDDLEBURY COMMUNITY SCHOOLS
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). . . ."

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. 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 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 2018-012

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
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): 16-2275, 17-2275, 18-2275
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-004.

MIDDLEBURY 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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The codes used by the High School Registrar's office were determined and processed by one individual. There was no oversight or review process to ensure that codes were accurate.

The School Corporation did not comply with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement that students removed from the Annual Report Card, High School Graduation Rate (Rate) for mobility reasons have the appropriate documentation to support the student's removal from the Rate. The students examined comprised 15 percent of the total students removed from the Rate during the audit period. The School Corporation did not have the appropriate supporting documentation for 31 percent of the students examined.

Context

The lack of internal controls and the 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). . . ."

34 CFR 200.19(b) states in part:

"*High schools*—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

- (i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . . .

- (ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.
- (B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.
- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

(2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirement 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 requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

MIDDLEBURY COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

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



CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Director of Business

Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Disbursements – Fringe Benefits: All payment made to the Teacher's Retirement Fund, Public Employee Retirement Fund, and the Corporation's share of Social Security and Medicare will be processed on a claims docket and approved by the School Board. This process began May 2018.

Self-Insurance Fund: Effective 10/1/17 we switched Third Party Administrators (TPA). The new TPA includes detailed reporting on claims and flex payments to correspond with the electronic payments. The Treasurer reconciles monthly the receipts and detailed disbursements sent by the TPA to the monthly trust statement. Once reconciled by the treasurer, the Superintendent and Director of Business will review, and then all the claims, receipts, and reconciliation will be given to the board for approval. This process began April 2019.

Anticipated Completion Date: Immediately

Matt D. Small
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Director of Business
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

For future filings, prior to entering the data into Gateway, the Director of Business will verify the numbers with reports from the financial software that either the Assistant to the Director of Business or the Treasurer has submitted. Once those numbers are verified, both the Director of Business and either the Assistant to the Director of Business or the Treasurer will sign the a verification page certifying the receipts and expenditures are accurate and complete, prior to the Director of Business entering the data into Gateway. All supporting documents including reimbursement requests and ledger will be kept with the final report and verification page.

Anticipated Completion Date: Immediately

Mart D. Bumpkin
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Cash Management – The Director of Business and Food Service Director will review and monitor Revenue and Expenditures Ledgers including detail and summary of balances monthly. The ledgers will be signed by both the Director of Business and the Food Service Director. An expenditure average for a month will be calculated using previous history to monitor the total balance. The balance should be approximately 3 months of operating expenditures. Signatures will be included on the monthly balances.

Eligibility – The free and reduced application filled out by guardians is collected and input into the food service software program by a secretary. Once the data is input, a printout of each student’s information that was input into the food service software program will be given to the Food Service Director to review for accuracy and completeness. The original application and the printout from the food service software program will be signed by both and kept for review.

Program Income – After the spreadsheets are prepared by a secretary, the Food Service Director will review the spreadsheets for accuracy and completeness. The spreadsheets will be signed by both the secretary that input the information and the Food Service Director.

Reporting – A printout from the food service program is printed by building totaling the number of meals served for the month. Each total will be input into the CNP website by the Food Service Director. A printout from the CNP website and food service program detailing number of meals served by building will be given to a member of the finance department for review of completeness and accuracy. The CNP printout will be signed by the Food Service Director and the staff member within the finance department that reviewed.

Special Tests and Precisions:


Verification Applications – Once it is determined which applications must be verified, the report will be completed by the Food Service Director. A secretary associated with Food Services will verify the income supporting documentation. A report from the food service program will be signed by both.

Middlebury Community Schools

School Food Account – Detailed ledgers of receipts and expenditures from the financial software will be printed by the Director of Business monthly and given to the Food Service Director for review. Both will sign the ledgers.

Paid Lunch Equity Tool – The Food Service Director will input the requested information into the Paid Lunch Equity Tool spreadsheet. This information is obtained from the the previous years paid lunch equity spreadsheet, as well as October's claim data from the food service program. Both of these will be given to a secretary handling Food Service for review of accuracy and completeness. Signatures will be kept on a printout of the Paid Lunch Equity Tool spreadsheet.

Anticipated Completion Date: Immediately



(Signature)

Asst. Superintendent / FS Director

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-004

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Payroll – The Treasurer/Director of Business and Food Service Director will review and monitor payroll to insure compliance with requirements related to the grant agreement. The Treasurer/Director of Business will print a copy of the payroll distribution report from Low and a spreadsheet if necessary for each pay period, which shall include: employee name, fund number, hours worked, and pay rate. Signatures from both will be included on the distribution reports and/or spreadsheet. Other employees (bookkeepers and custodians) will have hours in food service dictated by their job descriptions (pending confirmation of acceptance of method by IDOE SNA).

Anticipated Completion Date: Immediately

(Signature)

Asst. Superintendent / FSDirector

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Procurement – The Food Service Director will comply with federal procurement requirements related to purchases from vendors whose goods and services exceed the \$3500.00 threshold. Goods and services desired from at least three different vendors will be compared based on a spreadsheet of specific criteria set forth by the Food Service Director. The vendor with the highest rating based on the set criteria will be awarded the business of the school district for that school year. A secretary associated with food service will review the spreadsheet for accuracy and completeness. Both will sign each spreadsheet and the Food Service Director will file it.

Suspension and Debarment – The Director of Buildings and Grounds and Food Service Director will work together to insure when entering into a covered transaction with a vendor at the next lower tier of allowable purchases, that the person with whom they intend to do business with has not been excluded or disqualified. They will do this by checking SAM for exclusions, collecting a certification from that person, or adding a clause or condition to the covered transaction with that person. Written documentation that shows the vendor is clear of suspension and debarment will be signed by both the Director of Buildings and Grounds and the Food Service Director.

Anticipated Completion Date: Immediately

(Signature)

Asst. Superintendent / FS Director

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-007

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)825-9425

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan:

Annual Financial Report –

A detailed ledger from the school financial software will be given to the Food Service Director by the Director of Business. The Food Service Director will input the information into the Annual Financial Report. The Director of Business and Food Service Director will both review and sign the food service Annual Financial Report to insure that it meets compliance and is accurate. The final report and ledgers used will be filed.

Verification Report – The Food Service Director and secretary will work together to complete the verification report each year. In working together, they will ensure that the data from the verification report matches the data in the food service software program. Copies of supporting documentation from the food service software will be printed and filed alongside a copy of the verification report. Both will sign the cover page from the food service software program as well as a copy of the verification report and these supporting documents will be filed.

Anticipated Completion Date: Immediately



(Signature)

Asst. Superintendent / FS Director

(Title)

5/2/19

(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-008

Contact Person Responsible for Corrective Action: Director of Business

Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Maintenance of Effort: Either the Assistant to the Director of Business or the Treasurer will calculate the maintenance of effort. The Director of Business will verify accuracy. Both the preparer and the reviewer will sign the MOE verifying accuracy and completeness, which will match the ledgers. In addition, any other necessary persons will sign once all documentation is reviewed. The expenditure ledgers used for the calculation will be retained as well.

Anticipated Completion Date: Immediately

Marc D. Dwyer
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-009

Contact Person Responsible for Corrective Action: Director of Business
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Quarterly Proportionate Share Monitoring: Either the Assistant to the Director of Business or the Treasurer will complete the Proportionate Share Monitoring Report. The Director of Business will verify accuracy. Both the preparer and the reviewer will sign the Quarterly Proportionate Share report verifying accuracy and completeness, which will match the payroll records/ledgers. The ledgers used for the calculation will be retained and attached to the report.

Anticipated Completion Date: Immediately

Marc Stank
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-010

Contact Person Responsible for Corrective Action: Director of Business, ECSEC
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur with this finding.

Description of Corrective Action Plan:

The Elkhart County Special Education Cooperative (ECSEC) is a public school program serving students with disabilities in Elkhart County. Middlebury Community Schools is a participating member of the Cooperative. Goshen Community Schools is the administrator of the Cooperative.

While Middlebury 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 stated that the shortcomings documented in this finding are of an internal nature at the administrative school (GCS). The audit completed by the State Board of Accounts for this period on the records of Middlebury Community Schools relative to special education programs and related grants found no deficiencies related to this requirement.

The entire ECSEC operation was going through some transitions during the audit period. These transitions range from different personnel in place who handle the programs and related grants to the decentralization of some of the programs. Through these transitions procedures are being upgraded to establish controls for adequate documentation that will ensure compliance with all state and federal guidelines as they relate to the programs. Middlebury Community Schools business office personnel and our Special Education Coordinator will not only continue to follow established guidelines as they understand them, but will also monitor the related procedures put in place by the administrator (GCS) to the best of their abilities.

Anticipated Completion Date: Immediately

Marc D. Dwyer
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-011

Contact Person Responsible for Corrective Action: Director of Business, Title I Director, Assistant Superintendent
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Activities Allowed or Unallowed, Allowable Costs/Cost Principles:

The Treasurer will update the financial software of the employees to be paid from the grant fund as necessary. A payroll distribution report will be printed by the Treasurer after each payroll and given to the Title I Director. The Title I Director will verify that only approved school personnel from the grant are being paid from the appropriate Title I fund within the correct time period. Both the Treasurer and Title I Director will sign the distribution report.

Special Tests and Provisions – Assessment System Security

Special Tests and Provisions: Assessment System Security – Due to the timing of the prior audit, acceptable procedures for maintaining records for assessment system security had not been fully implemented. Current practice now includes sign in sheets for each building for all staff involved in trainings related to all standardized testing and assessment security. These will be verified and signed by the Corporation Test Coordinator to ensure accuracy.

Anticipated Completion Date: Immediately

Meredith Boyd
(Signature)

Director of Business
(Title)

5/2/19
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-012

Contact Person Responsible for Corrective Action: Assistant Superintendent
Contact Phone Number: (574)825-9425

Views of Responsible Official:

Due to the timing of the previous audit, we concur that this is a repeat finding.

Description of Corrective Action Plan:

Special Tests and Provisions: Annual Report Card, High School Graduation Rate – Due to the timing of the prior audit, acceptable procedures for maintaining records for student withdrawals effecting graduation rate were not fully implanted. The student clearance sheet now includes signature sections that additionally show: exit/ mobility code used for student withdrawal, attached documentation to support code used, two building level signatures for acceptable completion, and one for the assistant superintendent to sign and verify that all records are accurate.

Anticipated Completion Date: Immediately

(Signature)

Assistant Superintendent

(Title)

5/2/19

(Date)

MIDDLEBURY COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 2, 2019, with Mark D. Snyder, Treasurer; Jane A. Allen, Superintendent of Schools; Joanna King, President of the School Board; Robby Goodman, Assistant Superintendent of Schools; Lisa Stutsman, Assistant Treasurer; and Yvonne Buller, Title I Administrator.