

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BLACKFORD COUNTY SCHOOLS

BLACKFORD 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	Randi L. Libby (Vacant) Greg B. Elkins	07-01-16 to 05-25-17 05-26-17 to 08-13-17 08-14-17 to 06-30-19
Superintendent of Schools	Scot D. Croner Chad A. Yencer	07-01-16 to 06-30-17 07-01-17 to 06-30-19
President of the School Board	Philip N. Jones	01-01-16 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE BLACKFORD COUNTY SCHOOLS, BLACKFORD COUNTY, INDIANA

This report is supplemental to our audit report of the Blackford County 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 and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

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

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

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

May 13, 2019

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2018-001***

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

*Repeat Finding*

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

*Condition*

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The School Corporation did create an approval process involving the review of the SEFA to ensure the SEFA was accurate; however, the approval process did not detect the errors in the SEFA.

*Context*

The SEFA presented for audit contained the following errors:

1. The School Corporation reported \$1,284,563 as passed through to subrecipients for fiscal year 2016-2017; however, there were no passed through amounts that should have been reported.
2. There were federal grants omitted from the SEFA and nonfederal grants included. In addition, the amounts listed for each grant needed to be adjusted in order to reflect the true activity of the grant. The Total Federal Awards Expended were understated by \$485,132 and \$102,350 in 2016-2017 and 2017-2018.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"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. . . .

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

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

*Effect*

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

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2018-002**

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

*Repeat Finding*

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

*Condition*

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

Reconcilements were not adequately detailed or summarized, and documentation was neither sufficient nor directly compared to the Fund Report. In addition, there were no outstanding check lists to support the amount used in the monthly reconcilements. During the review of the Bank Reconcilements, we identified a difference between the adjusted bank balance and the ledger at June 30, 2017, and June 30, 2018. At June 30, 2017, the adjusted bank balance was higher than the ledger by \$977 and at June 30, 2018, the adjusted bank balance was lower than the ledger by \$70,675. As such, the Annual Financial Report submitted within the Indiana Gateway for Government Units financial reporting system was not accurate.

*Context*

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

BLACKFORD COUNTY 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. . . ."

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

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

*Cause*

Management of the School Corporation had not established a proper system of internal controls that would ensure proper reporting of cash and investments balances.

*Effect*

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

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting for cash and investments to ensure the accuracy of the financial information reported.

*Views of Responsible Officials*

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

BLACKFORD COUNTY 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,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Reporting, Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP), Special  
Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report regarding Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding number was 2016-004.

*Condition*

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

*Reporting*

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Monthly Sponsor Claims (claim for reimbursement), Annual Financial Reports, and Verification Summary Reports were accurate prior to submission. There was no segregation of duties, such as an oversight, review, or approval process.

*Eligibility*

The School Corporation had not designed or implemented an effective internal control system to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered. There was no oversight or review to ensure the information entered into the food service software was accurate.

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

The School Corporation had not separated incompatible activities related to the eligibility verifications performed as part of the Verification Summary Reports. There was no documentation of a control in place, such as an oversight, review, or approval process, to ensure that eligibility determinations were properly performed.

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

The School Corporation had not separated incompatible activities related to the accuracy of the paid lunch equity data submitted to the Indiana Department of Education for the federal award programs. There was no segregation of duties, such as an oversight, review, or approval process, to ensure that accurate data was entered into the Paid Lunch Equity Tool.

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation had not established and implemented an effective internal control system that segregated key functions.

*Effect*

The failure to establish an effective system of internal controls 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, including segregation of duties, to ensure compliance with the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2018-004**

Subject: School Breakfast Program, National School Lunch Program - Cash Management

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: Cash Management

Audit Findings: Material Weakness, Other Matters

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. 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 Cash Management compliance requirement.

The School Corporation did not monitor net cash resources in the School Lunch fund to ensure that the School Lunch fund's net cash resources did not exceed three months average expenditures. The School Lunch fund's net cash resources exceeded three months average balances throughout the audit period. This excess ranged from \$291,040 to \$422,288 in fiscal year 2016-2017 and from \$278,416 to \$367,900 in 2017-2018.

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(b) states:

"*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:

...

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not established and implemented an effective internal control system to ensure compliance with the Cash Management compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the Cash Management 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: Child Nutrition Cluster - Equipment

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

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 equipment requirements.

The School Corporation did not have adequate policies and procedures to ensure that the proper equipment records were maintained in accordance with 2 CFR 200.313. The School Corporation had not created a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property had been implemented.

The School Corporation did not comply with the equipment requirements. A complete list of equipment acquired with federal awards was not maintained.

The School Corporation was required to maintain property records and perform a physical inventory with the results reconciled with the property records at least once every two years. A reconciled physical inventory was not provided for audit.

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.33 states in part:

"*Equipment* means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. . . ."

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 property was acquired, the location, use and condition of the property, and any 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.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition. . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Equipment and Real Property Management 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: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: 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 Program Income compliance requirement.

The School Corporation had not established an effective internal control system to ensure that program income was being properly and timely (at least monthly) transferred from the Cafeteria Clearing fund to the School Lunch fund. One employee determined the amount of the transfer of program income without oversight, review or approval, or other compensating control.

No transfers were made during fiscal year 2016-2017, and only two transfers were made during 2017-2018.

*Context*

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

BLACKFORD COUNTY 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). . . ."

7 CFR 210.14(c) states:

*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 225.6(e) states in part:

*State-Sponsor Agreement.* A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

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: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Program Income compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2016-007**

Subject: Title I Grants to Local Educational Agencies - 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): 16-0515, 17-0515, 18-0515

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

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 Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation was required to implement policies and procedures regarding the security of tests. The School Corporation did not maintain all Indiana Testing Security and Integrity Agreements (Agreements) for individuals who administered, handled, or had access to secure test materials at the district or school level.

BLACKFORD COUNTY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

*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 200.333 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 had not developed a system of internal controls that would have ensured that supporting documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement was made available for audit.

*Effect*

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement will be maintained.

*Views of Responsible Officials*

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



**Blackford County Schools**

**Our Mission:**  
Educating Students,  
Changing the World

**Administrative Office**

**Chad Yencer**  
Superintendent

**Greg Elkins**  
Assistant Superintendent

**James Trinkle II**  
Special Services Coordinator

0668 West 200 South  
Hartford City, IN 47348  
Phone: 765.348.7550  
Fax: 765.348.5361  
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**Blackford High School**  
**Scott Shimer, Principal**  
Phone: 765.348.7560

**Blackford Junior High School**  
**Kelli Ruble, Principal**  
Phone: 765.348.7590

**Montpelier School**  
Grades K-6  
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Phone: 765.728.2402

**Northside School**  
Grades 4-6  
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Phone: 765.348.7595

**Southside School**  
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**Craig Campbell, Principal**  
Phone: 765.348.7584

**CORRECTIVE ACTION PLAN**

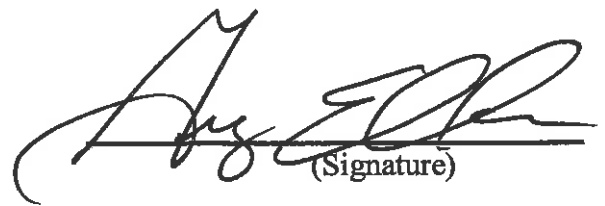
***FINDING 2018-001***

Contact Person Responsible for Corrective Action: Greg Elkins, Treasurer  
Contact Phone Number: 765-348-7550

Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan: The treasurer is responsible for Gateway submission of all federal grants data. For this audit period, there was not a clear understanding of what and how the data should have been submitted. Prior year's submissions were used as a guideline. The district believes the 2018 SEFA data to be accurate. Treasurer will continue to work with deputy treasurer to ensure all receipts and expenditures and grant fund balances are accurate prior to submission. The district has now identified that there are no pass-through funds. The district also now realizes the DoD financial support for JROTC instructor salaries are considered a federal grant.

Anticipated Completion Date: Immediately

  
(Signature)

Treasurer  
(Title)

5/7/2019  
(Date)



**Blackford County Schools**

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Educating Students,  
Changing the World

**Administrative Office**

**Chad Yencer**  
*Superintendent*  
**Greg Elkins**  
*Assistant Superintendent*  
**James Trinkle II**  
*Special Services Coordinator*

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**CORRECTIVE ACTION PLAN**

***FINDING 2018-002***

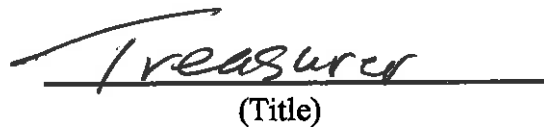
Contact Person Responsible for Corrective Action: Greg Elkins, Treasurer  
Contact Phone Number: 765-348-7550

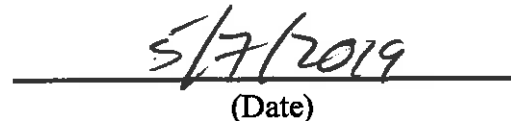
Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan: The treasurer and deputy treasurer have established a protocol for month-end reconciliation of bank statements and fund balances. The summary form, which must be reviewed, signed, and dated by both individuals, lists all outstanding check amount and corrections. The fund balances are copied from internal accounting software then compared and filed with the reconciliation statement. The treasurer has uploaded monthly fund balances and reconciliations to the Gateway SBoA reporting site or the months of 2019 so far. At the time of the June 30, 2017 discrepancies found in this audit, there was no full-time treasurer on staff to oversee and approve reconciliation of funds. That is now longer the case.

Anticipated Completion Date: Immediately

  
(Signature)

  
(Title)

  
(Date)

CORRECTIVE ACTION PLAN



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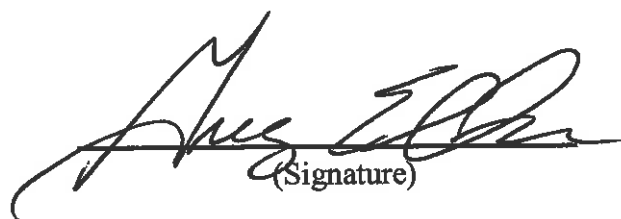
**FINDING 2018-003**

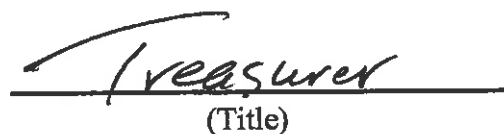
Contact Person Responsible for Corrective Action: Greg Elkins, Treasurer  
Contact Phone Number: 765-348-7550

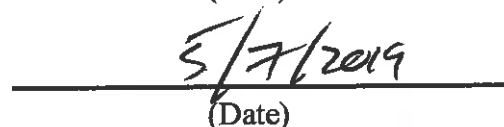
Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan: The food service director, treasurer, and deputy treasurer will review and design a plan to compile the School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children data and review accuracy prior to submission of Monthly Sponsor Claims, Annual Financial Reports and Verification Summary Reports. The treasurer and deputy treasurer will submit all reports on behalf of food service director. This team will also develop methods for free and reduced price meal applications are accurate which will include monthly/quarterly random sampling, and to separate incompatible activities related to the eligibility verifications performed as part of the Verification Summary Reports the paid lunch equity data submitted to the Indiana Department of Education.

Anticipated Completion Date: Begin June-July, 2019, ongoing.

  
(Signature)

  
(Title)

  
(Date)



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**CORRECTIVE ACTION PLAN**


***FINDING 2018-004***


Contact Person Responsible for Corrective Action: Greg Elkins, Treasurer  
Contact Phone Number: 765-348-7550

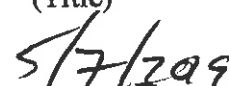
Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan: The District understands that the School Lunch fund exceeded the 3 months average balance during the audit period. The treasurer and deputy treasurer have already begun working with the food service manager to address allowable expenditures from the food service account which include equipment purchases, permissible facility improvements, and employee compensation increases. Both the food service director and treasurer have received IDOE approved training on allowable non-food purchases for the School Lunch fund and intend to identify needs within the district's kitchens to make use of these excess funds. A prioritized list of allowable expenditures will be created and the proposed purchases and expenditures will be submitted for approval to the local school board and or IDOE as required.

Anticipated Completion Date: Begin June-July, 2019, ongoing.

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

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

## CORRECTIVE ACTION PLAN



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***FINDING 2018-005***

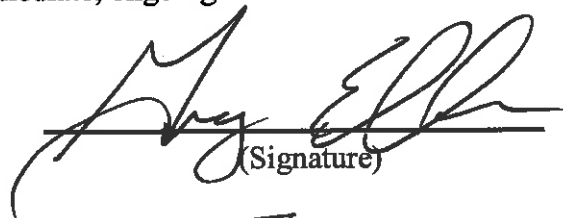
Contact Person Responsible for Corrective Action: Greg Elkins, Treasurer  
Contact Phone Number: 765-348-7550

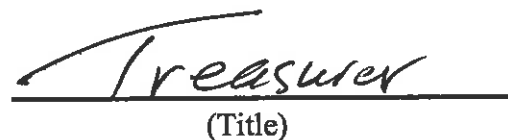
Views of Responsible Official: We concur with this finding

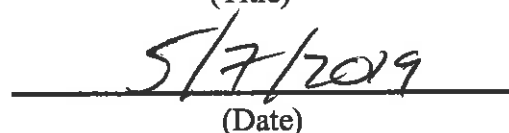
Description of Corrective Action Plan: The District hired an outside firm in August of 2018 to conduct a complete inventory of all physical assets. The inventory list itemizes purchase cost and depreciation/current values. The district will use this list as a baseline for additions, removals, and value adjustments going forward. The list includes all food service-related items. The district also adopted a Capital Assets policy in April, 2019 that declares all assets with a minimum purchase price of \$5000 will be declared Capital Assets. Those items, regardless of funds used to purchase them, will be accepted by board approval as capital assets to the district's inventory. The food service director has also begun comprising a list of kitchen assets that need replacement or upgrades/repairs (started April, 2019.) All kitchens are monitored by security cameras to prevent loss or damage of property. All kitchens and offices have separate door locks that only management have keys to.

The district will either hire another private company or internally update the inventory list annually, with special attention given to equipment purchased through both state and federal grant dollars.

Anticipated Completion Date: Immediate, ongoing.

  
(Signature)

  
(Title)

  
(Date)

CORRECTIVE ACTION PLAN



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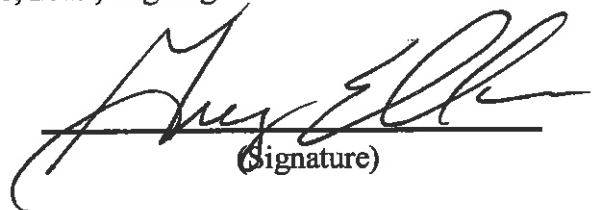
***FINDING 2018-006***

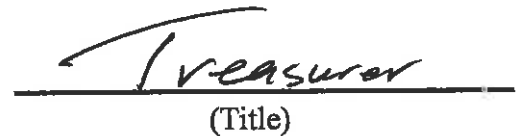
Contact Person Responsible for Corrective Action: Greg Elkins, Treasurer  
Contact Phone Number: 765-348-7550

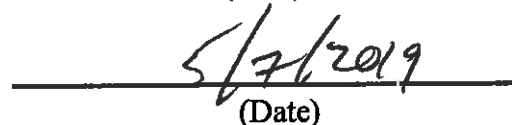
Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan: The District understands that the pre-paid lunch account (Cafeteria Clearing Account) must be transferred monthly to the School Lunch fund. During 2016-17, no district official was overseeing the responsibility. In 2017-18, at the completion of the 2014-16 audit, two transfers were made based on the findings of that audit period. District officials now know that the transfer should occur monthly. The food service director is now submitting monthly pre-paid account balances to the treasurer. The transfers will be conducted based on data submitted by the food service director, submitted by the deputy treasurer, and approved by the treasurer. All documentation will be saved in the form of journal entries in the districts accounting software Skyward.

Anticipated Completion Date: June, 2019, ongoing.

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

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CORRECTIVE ACTION PLAN



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***FINDING 2018-007***

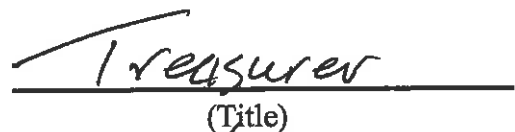
Contact Person Responsible for Corrective Action: Chad Yencer, Siperintendent  
Contact Phone Number: 765-348-7550

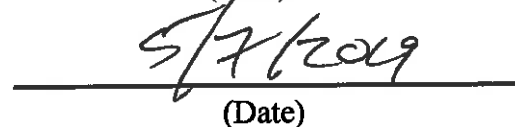
Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan: The District understands that for this audit period, the physical hard copies of signatures for administrators and teachers who received state testing security training could not be found. The district does not believe this to be s systemic issue. There are numerous examples of signatures and training evidence for other periods throughout recent history and the current school year. The district is confident that the absence of these files can be traced to the fact that 3 different individuals served as corporation test coordinator in a short amount of time, with one of those individuals working in an office away from central administration. With another CTC to be hired for 2019-2020, the district will make it a priority to create electronic files of all test security documents in addition to storing hard copies at central office, regardless of who the CTC is or what building they work out of.

Anticipated Completion Date: August, 2019, ongoing.

  
(Signature)

  
(Title)

  
(Date)

CORRECTIVE ACTION PLAN



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**FINDING 2018-007**

Contact Person Responsible for Corrective Action: Chad Yencer, Superintendent  
Contact Phone Number: 765-348-7550

Views of Responsible Official: We concur with this finding

Description of Corrective Action Plan: The District understands that for this audit period, the physical hard copies of signatures for administrators and teachers who received state testing security training could not be found. The district does not believe this to be a systemic issue. There are numerous examples of signatures and training evidence for other periods throughout recent history and the current school year. The district is confident that the absence of these files can be traced to the fact that 3 different individuals served as corporation test coordinator in a short amount of time, with one of those individuals working in an office away from central administration. With another CTC to be hired for 2019-2020, the district will make it a priority to create electronic files of all test security documents in addition to storing hard copies at central office, regardless of who the CTC is or what building they work out of.

Anticipated Completion Date: August, 2019, ongoing.

Chad Yencer  
(Signature)

Superintendent  
(Title)

5/13/19  
(Date)

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**DEPOSITORY RECONCILIATIONS**

A similar comment also appeared in prior Report B49936, entitled *BANK ACCOUNT RECONCILIATIONS*.

The June 30, 2017 and 2018 bank account reconciliations, as presented, were not in agreement with the School Corporation's Fund Reports. The June 30, 2017 bank reconciliation indicated the bank account balances had \$977 more than the Fund Report. The June 30, 2018 bank reconciliation indicated the bank account balances had \$70,675 less than the Fund Report. Documentation could not be located to explain the variances.

The June 30, 2017 and 2018 outstanding check lists were incomplete. The June 30, 2017 list of outstanding checks was not available. This list could no longer be produced by the current financial software. The June 30, 2018 outstanding check lists were inaccurate. This list could no longer be produced by the current financial software.

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

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

**CAPITAL ASSETS**

The School Corporation did not properly maintain a complete detailed inventory of capital assets owned.

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

BLACKFORD COUNTY SCHOOLS  
AUDIT RESULTS AND COMMENTS  
(Continued)

**RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS**

A similar comment also appeared in prior Report B49936, entitled *RECONCILIATION OF PREPAID CAFETERIA ACCOUNTS*.

Reconcilements between the School Lunch program subsidiary ledgers (Payor Balance Summary By Customer) and the control account on the School Corporation's ledger (Clearing Accounts fund) were not performed during the audit period. Also, monthly transfers were not made from the Clearing Accounts fund to the School Lunch fund for actual sales during the month. The School Corporation was unable to provide the Payor Balance Summary By Customer reports that details the individual account balances for fiscal year 2016-2017. A Payor Balance Summary By Customer report was provided that detailed individual account balances of \$4,586 at June 30, 2018, which was \$16,293 less than the balance of \$20,879 in the Clearing Accounts fund on the School Corporation's ledger.

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, Volume 225, February 2019)

BLACKFORD COUNTY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2019, with Greg B. Elkins, Treasurer, and Chad A. Yencer, Superintendent of Schools.