

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ELWOOD COMMUNITY SCHOOL CORPORATION

MADISON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Joa Griffith Linda Jones	07-01-16 to 04-14-19 04-15-19 to 12-31-19
Superintendent of Schools	Dr. Christopher E. Daughtry Dr. Casey Smitherman Dr. Joe Brown (interim)	07-01-16 to 06-30-18 07-01-18 to 02-01-19 02-02-19 to 06-30-19
President of the School Board	Stephanie Hoel Arnie Bell Robert Savage Paul Brent Kane	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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TO: THE OFFICIALS OF THE ELWOOD COMMUNITY SCHOOL
CORPORATION, MADISON COUNTY, INDIANA

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

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, was not verified for accuracy.

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

May 13, 2019

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. 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 Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

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

Criteria

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

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

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

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. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
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 could have remained undetected.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat of findings 2016-003 and 2016-004 from the immediately prior audit regarding Allowable Costs/Cost Principles.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

There were no controls to ensure that utility expenses charged to the programs complied with the allowable cost principles that all federal programs be handled consistently when applying indirect costs. The food service programs were charged \$14,700 during fiscal year 2017-2018. The indirect cost amounts were not determined using the Indirect Cost Unrestricted Rate. The School Corporation determined a flat rate independently and allocated the amount among all of the school buildings. The indirect costs for utilities that were not charged consistently and were not properly documented are considered questioned costs.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effective controls were not in place to ensure that only applicable employees were paid from program funds. Employees who worked on multiple activities or cost objects during both school years did not maintain personnel activity reports or other documentation of time allocated to the program. Total payroll disbursements paid from the School Lunch fund to the various employees was \$7,730 and \$4,446 for 2016-2017 and 2017-2018, respectively.

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 200.414(d) states: "Pass-through entities are subject to the requirements in § 200.331 Requirements for pass-through entities, paragraph (a)(4)."

2 CFR 200.331 states in part:

"All pass-through entities must:

- (a) Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

- (1) Federal Award Identification. . . .

- (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per §200.414 Indirect (F&A) costs). . . .

- (4) An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, if no such rate exists, either a rate negotiated between the pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in § 200.414 Indirect (F&A) costs, paragraph (f); . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. . . .
- (g) Be adequately documented. . . ."

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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected.

Questioned Costs

Questioned costs of \$26,877 were identified, as described in the *Condition*.

ELWOOD COMMUNITY SCHOOL CORPORATION
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, which is part of this report.

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 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Procurement and Suspension and Debarment

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 Cash Management and Procurement and Suspension and Debarment compliance requirements.

Cash Management

The School Corporation did not have controls in place to ensure that three months average expenditures were calculated for comparison to monthly cash balances and to verify that the comparison was performed.

Procurement and Suspension and Debarment

The School Corporation used a Cooperative for purchasing services, but was unable to provide documentation that procurement processes were reviewed and approved at the School Corporation level. The Cooperative also ensured that vendors were not suspended or debarred from using federal awards; however, there was no review process at the School Corporation level.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have allowed material noncompliance with the compliance requirements, and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval 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 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, which is part of this report.

FINDING 2018-004

Subject: School Breakfast Program, National School Lunch Program - Eligibility
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

ELWOOD COMMUNITY SCHOOL CORPORATION
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 Eligibility compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the proper eligibility determinations were made for students prior to providing benefits. Eligibility determinations were made by the Food Service Director, but there was no evidence to support a review of those determinations.

The School Corporation had not designed or implemented policies and procedures to ensure that it had complied with the eligibility requirements regarding the notification of the household's eligibility. Officials were not able to provide evidence that parents/guardians were notified of their children's eligibility for benefits.

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 200.333 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 compliance with the Eligibility 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 Eligibility compliance requirement.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

Views of Responsible Officials

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

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 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the equipment requirements related to the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that it maintain records of equipment purchased in whole or in part with federal funds and that it perform a physical inventory of equipment.

The School Corporation did not comply with the equipment requirements. The School Corporation and the Food Service Department each kept a separate list of equipment acquired with federal awards. However, both lists lacked required details, such as the source of funding, title details, acquisition date and cost, location, disposition data including date of disposal, and sale price, among other details.

Context

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

ELWOOD COMMUNITY SCHOOL CORPORATION
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). . . ."

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.
- (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

Management had not developed a system of internal controls that would have ensured compliance with the Equipment and Real Property 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 Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and Equipment and Real Property Management compliance requirements.

Views of Responsible Officials

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

FINDING 2018-006

Subject: School Breakfast Program, National School Lunch Program - Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-008.

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 requirements.

There were no controls in place to ensure that program income was properly recorded. The School Corporation had not properly established the School Lunch Clearing Fund (8400) to account for the prepaid school lunch account balances until June 30, 2018. The School Corporation maintained a Prepaid Lunch fund (clearing fund 810) for prepaid activity, but was not reconciling the prepaid balances of the students from the subsidiary ledgers to the clearing fund reports on a monthly basis. The School Lunch fund was not reporting accurate sales/revenue for student lunches served during the audit period.

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:

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

7 CFR 210.14(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 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 . . ."

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 documentation."

Cause

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2018-007

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-009.

Condition

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

The School Corporation prepared and submitted the monthly Sponsor Claims (claims for reimbursement), the Annual Financial Reports, and the School Food Authority (SFA) Verification Summary Reports (verification reports) without evidence of a proper system of oversight or review.

The School Corporation had not designed or implemented policies and procedures to ensure that it had complied with the reporting requirements regarding verification reports. The fiscal year 2016-2017 Verification Summary Report could not be traced to supporting documentation.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the 2016-2017 verification report.

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 FR 245.6a(h) states in part:

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"Verification reporting and recordkeeping requirements. By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . . All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained. Local educational agencies are encouraged to collect and report any or all verification data elements before the required dates."

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 placed the School Corporation in non-compliance with the grant agreement and the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2018-008

Subject: School Breakfast Program, National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior report. The prior audit finding number was 2016-010.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. One employee was primarily responsible for verifying the free and reduced price applications. An oversight or review process, or other compensating control, had not been established to ensure the proper number of applications were verified for accuracy. The School Corporation did not have supporting documentation of the verifications being completed for fiscal year 2016-2017.

Context

The lack of controls was a systemic issue throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications 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). . . ."

7 CFR 245.6a(h) states in part:

"*Verification reporting and recordkeeping requirements.* By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . . All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained. Local educational agencies are encouraged to collect and report any or all verification data elements before the required dates."

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. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls to both ensure compliance with the grant agreement and ensure that documentation was maintained and made available for audit related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to both ensure compliance with the grant agreement and ensure that documentation is maintained and made available for audit related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Views of Responsible Officials

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

FINDING 2018-009

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

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014,
S010A170014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Period of Performance, Reporting, Special Tests
and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of findings 2016-011 and 2016-014 from the immediately prior audit.

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, Period of Performance, Reporting, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirements.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management

There were no controls to ensure expenditures were made before the reimbursement was requested. Not all reimbursement requests included signatures of the preparer and the approver.

Period of Performance

There were no controls to ensure that expenditures were made within the period of performance. Reimbursement Requests selected for testing did not have any signatures of a preparer or approver.

Reporting

There were no controls to ensure the accuracy of the required reports before submission. Reimbursement Requests selected for testing did not have any signatures of a preparer or approver.

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

There were no controls to ensure that the mobility information was accurate and reviewed prior to the students being removed.

Context

The lack of controls 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). . . ."

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have allowed material noncompliance with the compliance requirements, and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval over the activities of the program.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance 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 2018-010

Subject: Title I Grants to Local Education Agencies - Activities Allowed
or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A150014, S010A160014,
S010A170014

Pass-through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-012.

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: Activities Allowed or Unallowed and Allowable Costs/Cost Principles. There were no controls to ensure that program expenditures were for allowable activities or allowable costs.

An approved salary ordinance/schedule for a bus driver paid from Title I funds was not presented for audit.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated only to the bus driver paid from Title I funds.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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. . . ."

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 allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the compliance requirements listed above.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance 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 2018-011

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): 14215-095-PN01, 14216-088-PN01,
14217-088-PN01, 45716-088-PN01,
45717-088-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation had not implemented procedures which would ensure there was a documented review of the maintenance of effort calculations for fiscal year 2017-2018. The Indiana Department of Education (IDOE) notified the School Corporation of an error in the maintenance of effort calculations for 2017-2018. Corrections were calculated and submitted to the IDOE.

Context

The lack of controls and noncompliance occurred during 2017-2018.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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(b) states:

"*Compliance standard.*

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - i. Local funds only;
 - ii. The combination of State and local funds;
 - iii. Local funds only on a per capita basis; or
 - iv. The combination of State and local funds on a per capita basis.
- (3) Expenditures made from funds provided by the Federal government for which the SEA is required to account to the Federal government or for which the LEA is required to account to the Federal government directly or through the SEA may not be considered in determining whether an LEA meets the standard in paragraphs (b)(1) and (2) of this section."

Cause

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking 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 level of effort requirements. Noncompliance with the grant agreement and the level of effort requirements could have resulted in the loss of funds to the School Corporation.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that management establish controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

FINDING 2018-012

Subject: Special Education Cluster (IDEA) - Period of Performance

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): 14215-095-PN01, 14216-088-PN01,
14217-088-PN01, 45716-088-PN01,
45717-088-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

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 Period of Performance compliance requirement.

The School Corporation provides no review of the adjustments between special education grant funds to determine if they are for transactions occurring within the period of performance.

Context

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls to ensure compliance with the Period of Performance compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Period of Performance compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Period of Performance 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 2018-013

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14215-095-PN01, 14216-088-PN01,
14217-088-PN01, 45716-088-PN01,
45717-088-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

ELWOOD COMMUNITY SCHOOL CORPORATION
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.

The School Corporation was unable to provide documentation that any procurement processes were being reviewed, or that vendors used by the School Corporation were not suspended or debarred entities.

Context

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

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) 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. . . ."

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.320 states in part:

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

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed \$3,000 (or \$2,000 in the case of acquisitions for construction subject to the Davis-Bacon Act). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes non-competitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

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 the 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

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

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-014

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): 14215-095-PN01, 14216-088-PN01,
14217-088-PN01, 45716-088-PN01,
45717-088-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.

There were no controls to ensure the accuracy of the Child Count Reports and the Final Financial Report for grant #14215-095-PN01 could not be located for review.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was related to one of the final reports required to be submitted to the Indiana Department of Education during fiscal year 2016-2017.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . .

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

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 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

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 Reporting compliance requirement was maintained and available for audit.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Reporting compliance requirement. Noncompliance with the grant agreement and the reporting requirements could have resulted in the loss of funds to the School Corporation.

ELWOOD COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Reporting compliance requirement. We recommended that management establish controls to ensure that documentation related to the grant agreement and the Reporting compliance requirement will be maintained and available for audit.

Views of Responsible Officials

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



The Hope of Our Country

Elwood Community School Corporation

1306 N. Anderson St.
Elwood, IN 46036
Phone: (765) 552-9861
Fax: (765) 552-8088

Dr. Joe Brown
Interim Superintendent

Mrs. Linda Jones
Director of Business

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

This finding is a repeat finding that had a Corrective Action Plan. The previous Corrective Action Plan, however, did not eliminate errors on the SEFA report. The Director of Business will balance the SEFA report against the Form 9 for accuracy. The Superintendent will continue to review the report from Gateway and initial off showing dual controls.

Anticipated Completion Date: Internal Controls will be completed by 7/31/19.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

The practice to charge utility expenses to our 3 cafeterias has been a long standing practice originally suggested by the Superintendent and approved by the Governing Body many years back before Indirect Costs were developed to be implemented. In May of 2018 the DOE did an on-sight audit of our cafeteria we were sited with an audit finding. The Corporation refunded one year of charges from the General Fund to the Cafeteria Fund as the audit requested before June 30, 2018.

Controls were not in place to ensure that only applicable employees were paid from program funds. Employees who worked on multiple activities or cost objects during both school years did not maintain personnel activity reports or other documentation. Salaries were previously restored back to the General Fund 100%.

Anticipated Completion Date: These controls were implemented on March 1, 2018.

FINDING 2018-003

Contact Person Responsible for Corrective Action: Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861 ext. 1063

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

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 and Procurement and Suspension and Debarment compliance requirements.

The school district will have Internal Controls in place effective 8/1/19 outlining the Procurement and Suspension and Debarment Procedures. The school district will also put in place a control for the school board to approve all contracts above \$25,000.

The school district will have Internal Controls in place effective 8/1/19 for Cash Management creating a worksheet for average monthly expenditures.

Anticipated Completion Date: Internal Controls will be completed by 7/31/19.

FINDING 2018-004

Contact Person Responsible for Corrective Action: Roxi Fred, Food Service Director

Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

This finding is under our previous Food Service Director. The current Food Service Director will immediately implement adequate policies and procedures to ensure proper eligibility determinations were made for students prior to providing benefits and maintain those records. The school district will have internal controls in place having a second person review and sign off on the applications.

Anticipated Completion Date: Our current Food Service Director is aware of this finding and starting maintaining a file starting on October 23, 2018.

FINDING 2018-005

Contact Person Responsible for Corrective Action: Roxie Fred, Food Service Director

Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

The Food Service Director will develop adequate procedures to ensure compliance with the requirements to maintain records of equipment purchased with Federal Funds and a physical inventory of said equipment. Detailed lists will include source of funding, acquisition date, cost, location for future audits. This will be signed off by the Food Service Director. The school district has hired Schert Insurance to maintain our inventory.

Anticipated Completion Date: The proper signature Internal Control was started February 2019.

FINDING 2018-006

Contact Person Responsible for Corrective Action: Roxie Fred, Food Service Director
Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

There were no controls in place to ensure that program income was properly recorded. The school district had not properly established the school Lunch Clearing Fund (8400) to account for the prepaid school lunch account balances until June 30, 2018.

Anticipated Completion Date: This procedure was started in August 2018.

FINDING 2018-007

Contact Person Responsible for Corrective Action: Roxie Fred, Food Service Director
Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

This finding was under the previous Food Service Director. To ensure compliance with requirements related to the grant agreement and the reporting compliance requirement the current Food Service Director will prepare the monthly Sponsor Claims and the Cafeteria Manager(s) will review and sign off on the report to eliminate errors in reporting.

Food Service Director will do a monthly reports and have each manager sign off on their school. The claims will then be submitted for reimbursement. A copy is sent to the school treasurer and signed off by the Food Service Director.

Anticipated Completion Date: This procedure was started in January 2019.

FINDING 2018-008

Contact Person Responsible for Corrective Action: Roxie Fred, Food Service Director
Contact Phone Number: 765-552-9861 ext. 6200

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

The current Food Service Director has been made aware of this finding and will ensure compliance by having reports reviewed and signed off providing record of dual controls by a cafeteria manager.

Anticipated Completion Date: This procedure was completed and effective January 2019.

FINDING 2018-009

Contact Person Responsible for Corrective Action: Dr. Joe Brown, Interim Superintendent
Sherri Cripe, Director of Learning
Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

There were no controls to ensure the accuracy of the required reports before submission. Reimbursement requests selected for testing did not have any signatures of a preparer or approver.

Since most of the Title Grants are done on-line they are now being printed off and signed by preparer and approver.

Internal Controls for the Annual Report Card/High School Graduation Rate will be implemented immediately having the Director of Learning or Superintendent sign off of these reports for approval.

Anticipated Completion Date: This procedure was implemented immediately.

FINDING 2018-010

Contact Person Responsible for Corrective Action: Dr. Joe Brown, Interim Superintendent
Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan:

The rate of pay for the bus driver showing on the reimbursement request was not in the employee handbook, therefore was considered unverifiable. The classified handbook will be updated this summer and approved by the board.

Anticipated Completion Date: July 31, 2019

FINDING 2018-011

Contact Person Responsible for Corrective Action: Dr. Joe Brown, Interim Superintendent
Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan: Internal control was not established for preparation of the MOE report. Elwood will establish controls to ensure compliance with the grant agreement.

Anticipated Completion Date: The internal controls will be implemented by July 1, 2019.

FINDING 2018-012

Contact Person Responsible for Corrective Action: Sherri Cripe, Director of Learning
Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan: Internal controls were not established for preparation of the federal grants. Elwood Schools will establish controls to ensure there is approvals on all transfers before the grants are completed. The Business Director will establish a worksheet providing information on the status of each grant. The Business Director will meet with Director of Learning monthly, reviewing each grant. This will eliminate future errors and/or transfers.

Anticipated Completion Date: The internal controls will be implemented by July 1, 2019.

FINDING 2018-013

Contact Person Responsible for Corrective Action: Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan: There were no internal controls for the Procurement & Suspension & Debarment of the grant purchases. Elwood Schools will put together internal controls having procedures in place to have approval from the board for contract services over \$25,000.00

Anticipated Completion Date: The internal control will be implemented by July 1, 2019.

FINDING 2018-014

Contact Person Responsible for Corrective Action: Sherri Cripe, Director of Learning
Joa Griffith, former Corporation Treasurer
Linda Jones, Director of Business

Contact Phone Number: 765-552-9861

Views of Responsible Official: Elwood Community School Corporation is in agreement with the Finding:

Description of Corrective Action Plan: An effective internal control system was not in place at the School Corporation in order ensure compliance with requirements related to the grant agreement and the reporting compliance requirements for the accuracy of the Child Count Reports and the Final Financial Report for grants.

The School Corporation will put in place internal controls for accuracy of the reports. After the reports are prepared, the Director of Learning will approve.

Anticipated Completion Date: The internal control will be implemented by July 1, 2019.

ELWOOD COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CERTIFICATION AND TRAINING ON INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B51788, entitled *ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING*.

The School Corporation certified that it had adopted the minimum internal control standards during fiscal year 2016-2017; however, the School Corporation had not adopted the minimum internal control standards. Additionally, all personnel defined by IC 5-11-1-27(c) had not received training concerning the internal control standards prior to June 30, 2017 and 2018.

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

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Reports B45374 and B51788, entitled *ACCOUNTING FOR PREPAID FOOD RECEIPTS* and *PREPAID MEAL ACCOUNTS*, respectively.

Prepaid lunch receipts were not accounted for in a Prepaid Lunch fund, fund 8400, a clearing account. Receipts were instead accounted for in the School Lunch fund, fund 800. The entire amount of prepaid lunch receipts was recognized in the School Lunch fund at the time of receipt as revenue and not as applied from the clearing account as students consumed their individual prepaid account balances. As a result, the subsidiary records of the prepaid lunch fund balances by student could not be reconciled to an overall balance on a routine basis by officials as required.

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

ELWOOD COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2019, with Linda Jones, Treasurer; Dr. Joe Brown, interim Superintendent of Schools; Robert Savage, School Board member; and Sherri Cripe, Director of Learning.