

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

FEDERAL COMPLIANCE AUDIT REPORT  
OF

NORTH PUTNAM COMMUNITY  
SCHOOL CORPORATION  
PUTNAM COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
02/05/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tanya Pearson	07-01-17 to 06-30-20
Superintendent of Schools	Daniel Noel Dr. Nicole L. Singer	07-01-17 to 06-30-18 07-01-18 to 06-30-20
President of the School Board	Amber Green Ron Spencer	07-01-17 to 12-31-17 01-01-18 to 12-31-19



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE NORTH PUTNAM COMMUNITY  
SCHOOL CORPORATION, PUTNAM COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the North Putnam Community School Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated December 16, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

December 16, 2019



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE NORTH PUTNAM COMMUNITY SCHOOL CORPORATION, PUTNAM COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the North Putnam Community School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. Except as discussed below, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in items 2019-002 and 2019-003 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Child Nutrition Cluster regarding Eligibility and Program Income. Consequently we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the Child Nutrition Cluster* paragraph the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control over Compliance***

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.


Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, 2019-003, and 2019-004, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated December 16, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

  
Paul D. Joyce, CPA  
State Examiner

December 16, 2019

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<b>Department of Agriculture</b>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			2017-2018	\$ -	\$ 107,518	\$ -	\$ -
School Breakfast Program			2018-2019	-	-	-	80,550
Total - School Breakfast Program				-	107,518	-	80,550
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			2017-2018	-	297,994	-	-
School Lunch Program			2018-2019	-	-	-	220,942
Commodities			2017-2018	-	58,645	-	-
Commodities			2018-2019	-	-	-	59,113
Total - National School Lunch Program				-	356,639	-	280,055
Summer Food Service Program for Children							
School Summer Foods Program	Indiana Department of Education	10.559					
School Summer Foods Program			2017-2018	-	16,398	-	-
School Summer Foods Program			2018-2019	-	-	-	11,105
Total - Summer Food Service Program for Children				-	16,398	-	11,105
Total - Child Nutrition Cluster				-	480,555	-	371,710
Child Nutrition Discretionary Grants Limited Availability							
NSLP Equipment	Indiana Department of Education	10.579					
NSLP Equipment			21856	-	36,733	-	-
NSLP Equipment			27588	-	-	-	16,661
Total - Child Nutrition Discretionary Grants Limited Availability				-	36,733	-	16,661
Total - Department of Agriculture				-	517,288	-	388,371
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
FY 2018 Fed Part B 611			18611-046-PN01	-	271,775	-	122,097
FY 2016 Fed Part B 611 Grant			14216-046-PN01	-	12,713	-	-
FY 2019 Fed Part B 611 Grant			19611-046-PN01	-	-	-	258,709
FY 2017 Federal Part B 611			14217-046-PN01	-	116,065	-	20,982
Total - Special Education Grants to States				-	400,553	-	401,788

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
FY 2016 Fed Part B 619 Preschool Grant			45716-046-PN01	-	14,296	-	-
FY 2018 Fed Part B 619 Preschool Grant			19619-046-PN01	-	-	-	495
FY 2017 Fed Preschool 619 Grant			45717-046-PN01	-	556	-	14,313
FY 2018 Fed Preschool 619			18619-046-PN01	-	719	-	435
Total - Special Education Preschool Grants				-	15,571	-	15,243
Total - Special Education Cluster (IDEA)				-	416,124	-	417,031
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Grant 2016/17			16-6715	-	65,833	-	-
Title I Grant 2017/18			17-6715	-	188,373	-	58,545
Title I Grant 2018/19			18-6715	-	-	-	222,524
Total - Title I Grants to Local Educational Agencies				-	254,206	-	281,069
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Grant 2015/7			15-6715	-	19,499	-	-
Title II 16/18			16-6715	-	46,195	-	-
Title II Grant 2017/19			17-6715	-	18,388	-	28,636
Title II 18/2020			18-6715	-	-	-	30,041
Total - Supporting Effective Instruction State Grants				-	84,082	-	58,677
Total - Department of Education				-	754,412	-	756,777
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid			2017/18 2018/19	-	50,133	-	35,537
Total - Medicaid Cluster				-	50,133	-	35,537
Total - Department of Health and Human Services				-	50,133	-	35,537
Total federal awards expended				\$ -	\$ 1,321,833	\$ -	\$ 1,180,685

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

*A. Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

*B. Other Significant Accounting Policies*

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Qualified
Special Education Cluster (IDEA)	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

No matters are reportable.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2019-001**

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): 2017-2018, 2018-2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash  
Management, Special Tests and Provisions - Verification of Free and  
Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

*Condition and Context*

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, Allowable Costs/Cost Principles*

One employee recorded the payroll transactions. There was no evidence of an oversight or review process to ensure that payroll disbursements were for allowable activities or the accuracy of the payroll disbursements for a substantial portion of the audit period. The School Corporation established a system of internal controls over the payroll disbursements starting in February 2019.

*Cash Management*

The School Corporation had not established procedures to monitor the School Lunch fund monthly cash balances to ensure that they were limited to the average of three months expenditures. A review process was not established to document the monitoring of the cash balances for a substantial portion of the audit period. The School Corporation established a system of internal controls over cash management starting in December 2018.

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

The Food Service Director performed the verification of the free and reduced price applications without evidence of an oversight or review process during the fiscal year 2017-2018.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the grant agreement and 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 also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2019-002**

Subject: Child Nutrition Cluster - Eligibility

Federal Agency: Department of Agriculture

Federal Program: 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): 2017-2018, 2018-2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Findings: Material Weakness, Modified Opinion

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-002.

*Condition and Context*

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.

Manual applications prepared by parents and entered into the school lunch software system by the School Corporation staff for fiscal year 2017-2018 were not provided for audit; therefore, we were unable to determine compliance with the Eligibility compliance requirement. This was a systemic issue through the first year of 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. . . ."

7 CFR 245.6(e) states:

*"Recordkeeping.* The local educational agency must maintain documentation substantiating eligibility determinations on file for 3 years after the date of the fiscal year to which they pertain, except that if audit findings have not been resolved, the documentation must be maintained as long as required for resolution of the issues raised by the audit."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured that documentation was maintained and available for audit related to the Eligibility compliance requirement.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to retain and provide the required documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure documentation will be maintained and available for audit in order to comply with 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 2019-003**

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): 2017-2018, 2018-2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number is 2017-004.

*Condition and Context*

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 designed or implemented adequate policies and procedures to ensure that the food service program sales were receipted in the School Lunch fund for a significant portion of the audit period. The School Corporation established the Prepaid School Lunch fund in January 2019.

The School Corporation did not comply with program income requirements for a substantial portion of the audit. All receipts from sales, including prepayments, were recorded directly into the School Lunch fund; therefore, we were unable to determine if the food service sales were recorded properly.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(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 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; . . ."

7 CFR 220.13(i) states in part: "Each State agency, or FNS where applicable, shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

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; . . ."

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. . . ."

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 lack of proper recording of program income prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance related to the grant agreement, the Program Income compliance requirement, and to comply with 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 2019-004**

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): 14216-046-PN01; 14217-046-PN01;  
18611-046-PN01; 19611-046-PN01;  
45716-046-PN01; 45717-046-PN01;  
18619-046-PN01; 19619-046-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Condition and Context*

The School Corporation was a member of a special education cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and the School Corporation, the School Corporation was ultimately responsible for compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

An effective internal control system, which would include segregation of duties, was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

For five of the six vendors tested during the audit period, the Cooperative did not obtain price or rate quotes from an adequate number of qualified sources for the purchase of goods or services that fell within the small purchase procedures for procurements, nor was full and open competition provided.

During fiscal year 2017-2018, the School Corporation did not have a procedure in place to determine if a vendor was suspended or debarred who exceeded \$25,000 in aggregate disbursements. The School Corporation implemented procedures during 2018-2019 to ensure vendors were not suspended or debarred, but an effective internal control system was still not in place over the procedure.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.318 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. . . ."

2 CFR 200.320 states in part:

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

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

- (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;

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (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*

The School Corporation's management had not developed a system of internal controls that segregated key functions and would have ensured compliance with the Procurement and Suspension and Debarment 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 Procurement and Suspension and Debarment compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above. An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

NORTH PUTNAM COMMUNITY SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

**NORTH PUTNAM COMMUNITY SCHOOL CORPORATION**

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PHONE: 765-522-6218

FAX: 765-522-3562

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2017-001***

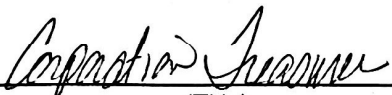
Fiscal year in which the finding initially occurred: FY2015-16, FY2016-17

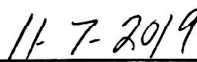
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:  
Contact Person Responsible for Corrective Action: Tanya Pearson  
Contact Phone Number: 765-522-6218

**Status of Audit Findings:**

1. Receipt Posting Journals are being initialed for accuracy, deposit tickets are being initialed.
2. Payroll Disbursements are being checked and initialed by treasurer, Title I, Director of Operations.
3. Form 9 is being reviewed and checked by superintendent and other designee employee.
4. The SEFA report is reviewed by Corporation Treasurer and other designee employee.

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

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

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

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2017-002***

Fiscal year in which the finding initially occurred: FY2015-16, FY2016-17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Director of Operations

Contact Phone Number: 765-522-6218

Status of Audit Finding:

We have internal controls and a review process in place as follows:

Eligibility determinations applications are being verified by two food service employees and rechecked by the Director of Operations for accuracy;

Payroll is being verified by the Director of Operation for accuracy each payroll by checking over the payroll and signing off on the Distribution sheet;

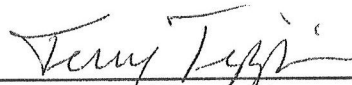
Director of Operations is reviewing the monthly school fund account;


Director of Food Service prepares the PLE, the Director of Operations verifies and presents to the School Board which they can accept or reject the recommendation.

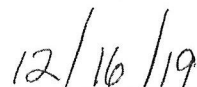
Food Service Director randomly selects 3% the F/R applications to verify parent information each year.

The Director of Operations will verify the correct amount was selected and validate the parent documentation.

These controls were set in place December 2018 and January 2019. Prepaid lunch account was implemented in January 2019.

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

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

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

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2017-003***

Fiscal year in which the finding initially occurred: FY2015-16, FY2016-17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Director of Operations

Contact Phone Number: 765-522-6218

Status of Audit Finding: Small purchases are made by requesting bids and analyzing top three bids if submitted including procurement, or using services already contracted.

*Terry Tippin*  
\_\_\_\_\_  
(Signature)

*Director of Operations*  
\_\_\_\_\_  
(Title)

*12-9-19*  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2017-004***

Fiscal year in which the finding initially occurred: FY2015-16, FY2016-17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Director of Operations

Contact Phone Number: 765-522-6218

Status of Audit Findings: We prepare a monthly spreadsheet containing revenue from student and adult sale from the cafeteria cash register. The daily sales report is given to the building treasurer to document on a shared google drive then verified by the corporation treasurer. The corporation treasurer verifies against bank statement. We are complying by receipting income into the 8400 Prepaid lunch account and transfer to the school lunch account from point of sale Monthly financial report. These controls were set in place December 2018/January 2019. The prepaid lunch account was put in place January 2019.

*Terry Tippin*  
\_\_\_\_\_  
(Signature)

*Director of Operations*  
\_\_\_\_\_  
(Title)

*12-9-19*  
\_\_\_\_\_  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

***FINDING 2017-005***

Fiscal year in which the finding initially occurred: FY2015-16, FY2016-17

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Director of Operations

Contact Phone Number: 765-522-6218

Status of Audit Findings: Claims, monthly claim for reimbursement, the annual financial reports, and the annual verification summary is being reviewed for accuracy.

Terry Tappin  
(Signature)

Director of Operations  
(Title)

11-6-19  
(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**CORRECTIVE ACTION PLAN**

***FINDING 2019-001***

In year in which the finding initially occurred: FY2017-18, FY 2018-19

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Director of Operations

Contact Phone Number: 765-522-6218

Views of Responsible Official: We concur with findings.

Description of Corrective Action Plan:

1. We have internal controls and a review process in place.
2. Free & Reduced applications are being verified by two employees.
3. Payroll is being verified by the Director of Operation each payroll.
4. Director of Operations is reviewing the monthly school fund account.

These controls were set in place in December 2018 and January 2019. Prepaid lunch fund was implemented in January 2019.

These procedures were set in place once we were audited in 2018 for the FY 2015-16, and FY2016-17 audit.

Terry Tippin

(Signature)

Director of Operation

(Title)

December 16, 2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**CORRECTIVE ACTION PLAN**

***FINDING 2019-002***

Fiscal year in which the finding initially occurred: FY2017-18, FY2018-19

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Director of Operations

Contact Phone Number: 765-522-6218

Views of Responsible Official: We concur with findings.

Description of Action Plan:

Free and Reduced School Lunch applications for 2017/18 were unable to be located due to the switch from a cafeteria director to Aramark. We will continue to look for the paper applications. We have the 2018/19 forms. We will require Chartwells to maintain a log of all Free and Reduced paper applications. We have met with Chartwells at an On Boarding Meeting. They understood and said they would keep documents in a binder for us. We set controls for December 2018.

Anticipated Completion Date: Immediately

Terry Tippin

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

Director of Operations

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

12-16-2019

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

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**CORRECTIVE ACTION PLAN**

***FINDING 2019-003***

Fiscal year in which the finding initially occurred: FY2017-18, FY2018-19

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Director of Operations

Contact Phone Number: 765-522-6218

Views of Responsible Official: We concur with findings.

Corrective of Action Plan: The Pre-Paid School Lunch was set up in January of 2019. Spreadsheets were implemented at each building to track the daily receipts. At the end of the day, once cafeteria drawer is closed out the cafeteria cashier gives the deposit to the building treasurer to record and make deposits. At the end of the month, the records are sent over to be reconciled with the bank statement. These procedures were set in place once we were audited in 2018 for the FY 2015-16 and FY2016-17 audit.

Terry Tippin

(Signature)

Director of Operations

(Title)

December 16, 2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

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**CORRECTIVE ACTION PLAN**

***FINDING 2019-004***

Fiscal year in which the finding initially occurred: FY2017-18, FY2018-19

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education

Contact Person Responsible for Corrective Action: Superintendent

Contact Phone Number: 765-522-6218

Views of Responsible Official: We concur with findings.

Corrective Action Plan: We will have internal controls over the small purchase procedures. One will get quotes from vendors and the other will verify correct account and place order. We implemented the procedure of making sure the vendor was not disbarred or suspended during the SY2018-19. Now we will comply with having segregation of duties.

Nicole Singer

(Signature)

Superintendent

(Title)

December 16, 2019

(Date)

(Note to Officials: To determine what audit findings are required to be reported in the Summary Schedule of Prior Audit Findings, please see U.S. Office of Management and Budget (OMB), Circular A-133, Subpart C, section .315(b) for audit periods beginning before December 26, 2014. For audit periods beginning after December 26, 2014, please see 2 CFR §200.511(b).)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.