

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

JOHN GLENN SCHOOL CORPORATION

ST. JOSEPH 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	Thomas L. Bendy	07-01-17 to 06-30-20
Superintendent of Schools	Richard M. Reese Christopher Winchell	07-01-17 to 06-30-19 07-01-19 to 06-30-20
President of the School Board	Jeff Johnson Janice Ryan Dennis Holland Christian Mattix	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



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 JOHN GLENN SCHOOL CORPORATION,
ST. JOSEPH 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 John Glenn 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 19, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.

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*.

John Glenn School Corporation's Response to Findings

The School Corporation's response to the 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 the financial statement and, accordingly, we express no opinion on it.

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 19, 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 JOHN GLENN SCHOOL CORPORATION,
ST. JOSEPH COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the John Glenn 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. 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)

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 2019-003. 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.

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 2019-002 and 2019-003, 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.

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)

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 19, 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
Paul D. Joyce, CPA
State Examiner

December 19, 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.

JOHN GLENN 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Food Service Program		10.553	FY 2018-2019	\$ -	\$ -	\$ -	\$ 78,385
School Food Service Program			FY 2017-2018	-	68,296	-	-
Total - School Breakfast Program				-	68,296	-	78,385
National School Lunch Program	Indiana Department of Education						
School Food Service Program		10.555	FY 2018-2019	-	-	-	410,804
School Food Service Program			FY 2017-2018	-	395,734	-	-
Commodities			FY 2017-2018, FY 2018-2019	-	88,864	-	88,174
Total - National School Lunch Program				-	484,598	-	498,978
Summer Food Service Program for Children	Indiana Department of Education						
School Food Service Program		10.559	FY 2018-2019	-	-	-	24,110
School Food Service Program			FY 2017-2018	-	26,193	-	-
Total - Summer Food Service Program for Children				-	26,193	-	24,110
Total - Child Nutrition Cluster				-	579,087	-	601,473
Child and Adult Care Food Program	Indiana Department of Education						
School Food Service Program		10.558	FY 2018-2019	-	-	-	791
School Food Service Program			FY 2017-2018	-	887	-	-
Total - Child and Adult Care Food Program				-	887	-	791
Total - Department of Agriculture				-	579,974	-	602,264
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education						
Special Education Part B 611		84.027	14217-106-PN01	-	82,016	-	-
Special Education Part B 611			18611-106-PN01	-	328,794	-	-
Special Education Part B 611			18611-106-PN01	-	-	-	79,763
Special Education Part B 611			19611-106-PN01	-	-	-	358,116
Total - Special Education Grants to States				-	410,810	-	437,879
Special Education Preschool Grants	Indiana Department of Education						
Special Education Part B 619 Grant		84.173	18619-106-PN01	-	11,722	-	-
Special Education Part B 619 Grant			19619-106-PN01	-	-	-	12,214
Total - Special Education Preschool Grants				-	11,722	-	12,214
Total - Special Education Cluster (IDEA)				-	422,532	-	450,093

JOHN GLENN 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
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I		84.010	S010A160014	-	54,664	-	-
Title I			S010A170014	-	150,933	-	88,406
Title I			S010A180014	-	-	-	150,938
Total - Title I Grants to Local Educational Agencies				-	205,597	-	239,344
Career and Technical Education - Basic Grants to States Career and Technical Education Grant SY 17-18	Plymouth Community School Corporation	84.048	FY2017-2018	-	6,570	-	-
Supporting Effective Instruction State Grants	Indiana Department of Education						
Title II Part A		84.367	S367A150013	-	6,019	-	-
Title II Part A			S367A160013	-	35,661	-	-
Title II Part A			S367A170013	-	15,545	-	29,736
Title II Part A			S367A180013	-	-	-	36,611
Total - Supporting Effective Instruction State Grants				-	57,225	-	66,347
Student Support and Academic Enrichment Program Title IV Part A	Indiana Department of Education	84.424	S424A180015	-	-	-	12,423
Total - Department of Education				-	691,924	-	768,207
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education						
Medicaid		93.778	FY 2018-2019	-	-	-	16,298
Medicaid			FY 2017-2018	-	16,289	-	-
Total - Medical Assistance Program				-	16,289	-	16,298
Total - Medicaid Cluster				-	16,289	-	16,298
Total - Department of Health and Human Services				-	16,289	-	16,298
Total federal awards expended				\$ -	\$ 1,288,187	\$ -	\$ 1,386,769

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

JOHN GLENN 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.

JOHN GLENN 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?	yes
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	Unmodified
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

FINDING 2019-001

Subject: Internal Controls over Financial Transactions
Audit Finding: Material Weakness

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to receipts and disbursements.

JOHN GLENN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts

The School Corporation did not have effective controls in place to ensure that collections were properly receipted into the correct fund. One person generated the receipts, recorded the receipts, prepared the deposit tickets, and deposited the receipts to the bank without oversight or review.

Disbursements

Vendor

The School Corporation did not have effective controls in place to ensure that supporting documentation was available for all vendor claims and that the disbursements were recorded in the correct fund. One person generated and recorded the claims without oversight or review.

Payroll

The School Corporation did not have effective controls in place to ensure that payroll disbursements were calculated correctly and recorded in the correct fund. Payroll disbursements were prepared and recorded by the Deputy Treasurer without proper oversight or review to ensure that employees were paid the correct amount and from the correct fund.

Payroll Withholdings

The School Corporation did not have effective controls in place to ensure that payroll withholdings were calculated accurately and recorded in the correct fund. Some of the payroll withholdings (vision insurance, dental insurance, cancer insurance, annuities, etc.) were calculated and determined by the Treasurer without proper oversight or review to ensure the accuracy of the amounts paid.

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. . . .

JOHN GLENN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

The School Corporation's management had not established a proper system of internal controls that segregated key functions.

Effect

The failure to establish a system of internal controls could have enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Cash Management, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity
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 Number and Year (or Other Identifying Number): FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding numbers were 2017-002 and 2017-003.

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: Cash Management, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

JOHN GLENN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. There was no oversight or review of the calculations or monitoring of the cash balances.

Program Income

The School Corporation had not designed or implemented adequate internal controls to ensure that program income was properly recorded. There was no documented comparison to ensure that amounts from the sales reports agreed with the amounts recorded in the School Lunch fund.

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

The School Corporation had not designed or implemented adequate internal controls to ensure that verification of free and reduced price applications and any necessary changes to students' eligibility statuses were accurate. One employee performed the verification of applications and entered the changes to student accounts without evidence of oversight or review.

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

The School Corporation had not implemented adequately documented internal controls to ensure the accuracy of the paid lunch equity calculation. Two employees performed the paid lunch equity calculations using the online calculator tool; however, the calculations and subsequent review were not documented.

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

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal awards 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's management had not developed an effective system of internal controls to ensure compliance with the compliance requirements listed above.

JOHN GLENN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system, which would include segregation of duties, 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 also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Cash Management, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2019-003

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 Number and Year (or Other Identifying Number): FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

A similar finding also appeared in the immediately prior audit report. The prior audit finding number was 2017-003.

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 Allowable Costs/Cost Principles compliance requirement.

JOHN GLENN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Based upon the payroll operating costs tested for fiscal year 2017-2018, the School Corporation included percentages and rates of administrative and custodial salaries and wages as food service operating costs in the School Lunch fund. This compensation, which was not supported by proper time and effort logs, which related to food service operations, totaled \$4,313. When the administrative and custodial salaries and wages charged to the School Lunch fund were abstracted for every pay period during 2017-2018, additional errors of \$13,490 were identified.

The lack of controls and noncompliance were isolated to 2017-2018.

Criteria

2 CFR section 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.430(i) states in part:

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

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

Cause

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

JOHN GLENN SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

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

Questioned Costs

Known questioned costs of \$17,803 were identified as detailed in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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



John Glenn School Corporation



101 John Glenn Drive, Walkerton, IN 46574

Phone: (574) 586-3129 Fax: (574) 586-2660

www.jgsc.k12.in.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Thomas L. Bendy

Contact Phone Number: 574-586-3129

Status of Audit Finding:

1. Receipts collections. The corporation has been continuously working on improving its receipt controls. From the 2013 fiscal year audit, this control has been improved from the corporation treasurer being the sole employee involved in the process to including multiple employees in the process. In the 2015 fiscal year audit, the corporation was cited for the timeliness of the deposits, specifically towards building level deposits that were posted one time at the end of the month. The corporation reviewed its process and included a review of the receipt journal to ensure the building level deposit receipts were recorded more frequently. The corporation still acknowledges a weakness in this control process and is working towards improvement by adding staff and changing job duties of its accounting department in early calendar year 2020.
2. Disbursements / Transfers between funds: The corporation reviewed its process for transfers and corrected this issue. All transfers between funds have a claim issued and a deposit receipted.
3. SEFA review: The corporation reviewed its process for the SEFA annual report. The treasurer prepared each section of the report and had the deputy treasurer review the work prior to the final submission of the report. The corporation has updated the review process in 2019 to include the superintendent.

Thomas L. Bendy

(Signature)

Treasurer

(Title)

12-3-19

(Date)

Christopher Winchell, *Superintendent*
 Shelly Clark, *Admn. Assistant*
 Lisa Sleek, *Corporation Secretary*
 Tracey Duff, *Payroll Specialist*

Thomas Bendy, *Treasurer*
 Carol Kuzmicz, *Deputy Treasurer*
 Marie Fansler, *Transportation*

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2015-2016


Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Thomas L. Bendy

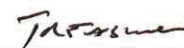
Contact Phone Number: 574-586-3129

Status of Audit Finding:


1. The corporation did not have a review that calculated the three months average expenditures in the School Lunch Fund to ensure compliance with cash management requirements. The corporation has reduced its cash balance to be in compliance, and the calculation to ensure this compliance is prepared and monitored each month by the corporation treasurer.
2. The corporation did not provide documented proof that eligibility applications were reviewed. The corporation reviewed this control and have the applications approved at the building level and by the food service director, with a random sample from each building reviewed at the corporation level.
3. Food service reports were prepared by the corporation treasurer but not reviewed. The corporation treasurer has the food service director or another employee in the administration office review these reports each month. The corporation is working towards having these reports eventually prepared by the food service director and reviewed by the corporation treasurer.
4. The corporation did not have controls to ensure verifications of free and reduced price applications were accurate and that changes to student's eligibility statuses were accurate. These verifications and changes were entered by one employee without review. The corporation reviewed this control and left the mandatory verification of applications at the corporation level. Necessary changes to the student's eligibility status are sent to the food service director to change the status in the student's account. The building level treasurers will verify the changes have been made.
5. The corporation's paid lunch equity calculations were performed by two employees but were not documented. The food service director and administrative assistant documented their review for the 2018-2019 PLE review.



(Signature)



(Title)



(Date)

Christopher Winchell, *Superintendent*
Shelly Clark, *Admn. Assistant*
Lisa Sleek, *Corporation Secretary*
Tracey Duff, *Payroll Specialist*

Thomas Bendy, *Treasurer*
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Thomas L. Bendy

Contact Phone Number: 574-586-3129

Status of Audit Finding:

1. The corporation had payroll disbursements from the School Lunch Fund for administrative and custodial salaries and wages that were not supported by proper documentation. The corporation addressed this issue by removing administrative and custodial wages from the School Lunch Fund.
2. The program income for the School Lunch Fund did not agree to the Sales and Participation Report for school breakfast and lunch sales. The corporation reviewed this process, and the corporation treasurer is verifying these totals agree on a monthly basis.

(Signature)

(Title)

(Date)

Christopher Winchell, *Superintendent*
Shelly Clark, *Admn. Assistant*
Lisa Sleek, *Corporation Secretary*
Tracey Duff, *Payroll Specialist*

Thomas Bendy, *Treasurer*
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: 2015-2016

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Thomas L. Bendy

Contact Phone Number: 574-586-3129

Status of Audit Finding:

1. The Corporation's Board of School Trustees had not been approving school lunch bid awards from the corporation's educational service center. The 2018-2019 NIESC bid award was approved by the Board on October 2, 2018, and the 2019-2020 NIESC bid award was approved by the Board on June 4, 2019.
2. The Corporation had not received quotes for purchases or maintenance from their School Lunch Fund that exceeded the small procurement threshold outside of the approved bids from the educational service center. The corporation has ceased taking maintenance expenditures out of the School Lunch Fund. The corporation treasurer met with the corporation's food service director and accounting department on July 11, 2018 and again on October 1, 2018 to review the purchasing policy. The corporation treasurer has directed the food service department to purchase through the educational service center as often as possible, and when not, to obtain three quotes from vendors to ensure the corporation remains within the guidelines of the small procurement purchasing policies.

Thomas Bendy

(Signature)

Treasurer

(Title)

12-3-18

(Date)

Christopher Winchell, *Superintendent*
 Shelly Clark, *Admn. Assistant*
 Lisa Sleek, *Corporation Secretary*
 Tracey Duff, *Payroll Specialist*

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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Thomas L. Bendy, Treasurer

Contact Phone Number: 574-586-3129

Views of Responsible Official: The corporation concurs with this finding. We are constantly evaluating our control processes to improve efficiency while minimizing our risk exposure to material misstatements or irregularities. In order to improve our segregation of duties control, we have added an additional staff member to our accounting department in August 2019.

Description of Corrective Action Plan:

Receipts: During part of this audit, receipts were input and posted by the Treasurer without a review. We have changed this process to have receipts input by our administrative secretary or deputy treasurer and reviewed by the Treasurer.

Disbursements (Vendor): Vendor claims were generated and input by the Deputy Treasurer. We have changed this process to allow for a review of the claims, invoices, and edit prior to posting by the Treasurer, and a review of the voucher posting journal by the Treasurer after the Deputy Treasurer has posted the claim edit.

Disbursements (Payroll withholdings): Claims involving benefits and clearings were prepared by the Treasurer without oversight or review. The Deputy Treasurer will review these claims while we work on training a new payroll clerk to remove the payroll duties from the Deputy Treasurer. At that time, the Deputy Treasurer will begin to prepare these claims, which will then be reviewed by the Treasurer.

Payroll Disbursements: The Deputy Treasurer prepared, input, and posted payroll disbursements without a review. These claims will now be reviewed by the Treasurer in the same manner as the Vendor disbursements.

Anticipated Completion Date: January 2020.

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Shelly Clark, *Admn. Assistant*
Lisa Sleek, *Corporation Secretary*
Tracey Duff, *Payroll Specialist*

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CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Thomas L. Bendy, Treasurer

Contact Phone Number: 574-586-3129

Views of Responsible Official: The corporation concurs with this finding.

Description of Corrective Action Plan:

This finding is a repeat finding from our prior audit. The finding dealt with control and review issues with our Federal School Lunch Program in the areas of Cash Management, Program Income, Verification of Lunch Applications, and Paid Lunch Equity. New controls were established in our corrective action plan in July 2018 to correct these issues, with a response to the control implementation for these findings occurring in October 2018.

Anticipated Completion Date: July 2018.

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CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Thomas L. Bendy, Treasurer

Contact Phone Number: 574-586-3129

Views of Responsible Official: The corporation concurs with this finding.

Description of Corrective Action Plan:

This finding is a repeat finding from our prior audit. The finding dealt with some school corporation administrative and custodial wages being compensated out of the School Lunch Fund without proper documentation. The corporation ceased taking these wages out of the School Lunch Fund after the prior audit was completed beginning in July 2018 to correct this issue, with a response to the control implementation for these findings occurring in October 2018.

Anticipated Completion Date: July 2018.

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Tracey Duff, *Payroll Specialist*

Thomas Bendy, *Treasurer*
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Marie Fansler, *Transportation*

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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/>.