

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SHENANDOAH SCHOOL CORPORATION

HENRY COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
02/28/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Julia D. Miller	07-01-17 to 06-30-20
Superintendent of Schools	Ronald L. Green	07-01-17 to 06-30-20
President of the School Board	Scott Trennepohl	01-01-15 to 12-31-20



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 SHENANDOAH SCHOOL CORPORATION, HENRY 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 Shenandoah 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 February 17, 2020, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

***Shenandoah 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

February 17, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 SHENANDOAH SCHOOL CORPORATION, HENRY COUNTY, INDIANA

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

We have audited the Shenandoah 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 its major federal program for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal program is 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 the School Corporation's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on the Major Federal Program***

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 its major federal program for the period of July 1, 2017 to June 30, 2019.

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

**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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be a significant deficiency.

The School Corporation's response to the internal control over compliance finding 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.

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

**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 February 17, 2020, 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

February 17, 2020

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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.

SHENANDOAH 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	10.553					
School Breakfast Program			FY 17-18	\$ -	\$ 46,804	\$ -	\$ -
School Breakfast Program			FY 18-19	-	-	-	45,605
Total - School Breakfast Program				-	46,804	-	45,605
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY 17-18	-	246,704	-	-
School Lunch Program			FY 18-19	-	-	-	236,361
School Lunch Program - Commodities			FY 17-18	-	65,406	-	-
School Lunch Program - Commodities			FY 18-19	-	-	-	66,834
Total - National School Lunch Program				-	312,110	-	303,195
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 18-19	-	-	-	2,577
Total - Child Nutrition Cluster				-	358,914	-	351,377
Total - Department of Agriculture				-	358,914	-	351,377
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
FY2017 IDEA, Part B 611	Indiana Department of Education	84.027	14217-042-PN01	-	100,614	-	3,186
FY2018 IDEA, Part B 611			18611-042-PN01	-	221,124	-	84,504
FY2019 IDEA, Part B 611			19611-042-PN01	-	-	-	226,178
Total - Special Education Grants to States				-	321,738	-	313,868

SHENANDOAH 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					
FY2017 Part B 619			45717-042-PN01	-	5,471	-	-
FY2018 Part B 619			18619-042-PN01	-	9,512	-	4,449
FY2019 Part B 619			19619-042-PN01	-	-	-	10,262
Total - Special Education Preschool Grants				-	14,983	-	14,711
Total - Special Education Cluster (IDEA)				-	336,721	-	328,579
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title 1 16-17			S010A160014	-	32,829	-	-
Title 1 17-18			S010A170014	-	83,265	-	68,132
Title 1 18-19			S010A180014	-	-	-	94,618
Total - Title I Grants to Local Educational Agencies				-	116,094	-	162,750
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A150013	-	2,384	-	-
Title II Part A			S367A160013	-	24,769	-	1,737
Title II Part A			S367A170013	-	-	-	24,655
Title II Part A			S367A180013	-	-	-	4,089
Total - Supporting Effective Instruction State Grants				-	27,153	-	30,481
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Student Support and Academic Enrichment Program			S424A180015	-	-	-	11,345
Total - Department of Education				-	479,968	-	533,155
Total federal awards expended				\$ -	\$ 838,882	\$ -	\$ 884,532

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

SHENANDOAH 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.

**Note 3. Special Education Cooperative**

The School Corporation is a member of the New Castle Area Special Services Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

SHENANDOAH 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?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

**FINDING 2019-001**

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2017-001.

*Condition and Context*

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

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Treasurer prepared the federal award information entered into Gateway and the information was reviewed and submitted by the Superintendent of Schools; however, this control was not effective.

The SEFA contained the following errors:

1. The School Breakfast Program was not included on the SEFA for fiscal year 2017-2018 or 2018-2019, understating expenditures by \$92,409.
2. The National School Lunch Program expenditures were overstated by \$79,460 for 2018-2019. Also the program name and identifying numbers were incorrect.
3. The National School Lunch Program Commodities were not included on the SEFA for 2017-2018 or 2018-2019, understating expenditures by \$132,240.
4. The Summer Food Service Program for Children was not included on the SEFA for 2018-2019, understating expenditures by \$2,577.
5. The Special Education Cluster (IDEA) was not included on the SEFA for 2017-2018 or 2018-2019, understating expenditures by \$665,300.
6. The Title I Grants to Local Educational Agencies expenditures were understated by \$82,291 for 2018-2019. Also the program name and identifying numbers were incorrect.
7. The Student Support and Academic Enrichment Program was not included on the SEFA for 2018-2019, understating expenditures by \$11,345.
8. The Supporting Effective Instruction State Grants expenditures were understated for 2017-2018 and 2018-2019, totaling \$23,995. Also the program name and identifying numbers were incorrect.

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

*Criteria*

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

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

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

SHENANDOAH 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. . . .

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

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

2 CFR 200.508 states in part:

"The auditee must: . . .

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

2 CFR 200.510(b) states:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

SHENANDOAH SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

*Effect*

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

*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 - Internal Controls over Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Significant Deficiency

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-006.

*Condition and Context*

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

The School Corporation had not developed procedures whereby the cash balances (net cash resources) in its School Lunch fund were monitored to ensure that they did not exceed three months average expenditures of the program.

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

SHENANDOAH 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's management had not developed a system of internal controls to ensure compliance with the compliance requirement listed above.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

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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.



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Middletown, IN 47356  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-001***

Fiscal year in which the finding initially occurred: FY 2015; FY 2017  
Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number: (765) 354-2266

#### Status of Audit Finding:

We have currently implemented internal controls related to the preparation of SEFA and are still working on the changes. The Shenandoah School Corporation has added controls over review of financial activities, including but not limited to bank reconciliations, receipting, disbursing, recording and general accounting procedures.

### ***FINDING 2017-002***

Fiscal year in which the finding initially occurred: FY 2015; FY 2017  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number: (765) 354-2266

#### Status of Audit Finding:

The Director of Special Education provides the Director of Finance and Deputy Treasurer semi-annual certifications of employees and contracted employees paid from federal awards to document all employees paid from federal funds. Employees paid from special education grants are confirmed by periodic certifications of payroll histories being sent to the Special Education Director for review to ensure all transactions are allowable costs.

### ***FINDING 2017-003***

Fiscal year in which the finding initially occurred: FY 2015; FY 2017  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number: (765)354-2266

#### Status of Audit Finding:

The Director of Special Education provides the Director of Finance and Deputy Treasurer semi-annual certifications of employees and contracted employees paid

from federal awards to document all employees paid from federal funds. Employees paid from special education grants are confirmed by periodic certifications of payroll histories being sent to the Special Education Director for review to ensure all transactions are allowable costs.

**FINDING 2017-004**

Fiscal year in which the finding initially occurred: FY 2017

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

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266

Status of Audit Finding:

Shenandoah School Corporation has added controls to verify the accuracy of the applicant status and to adequately document the verification of eligibility, and to better control record management

**FINDING 2017-005**

Fiscal year in which the finding initially occurred: FY 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct:

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266

Status of Audit Finding:

The Shenandoah School Corporation has added controls to include Time and Effort documentation for all employees paid from the School Lunch Fund as related to the compliance requirements.

**FINDING 2017-006**

Fiscal year in which the finding initially occurred: FY 2017

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

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765)354-2266

Status of Audit Finding:

The Shenandoah School Corporation has added controls to include Cash Management to ensure that the net cash resources in the fund did not exceed the three months average expenditures.

Also, The Shenandoah School Corporation has added controls to include Segregation of Duties to ensure that the eligibility for the applications of the School Lunch program and that all eligibility determinations were correct.

Also, The Shenandoah School Corporation has added controls to include provide proper oversight and monitoring of preparation and reporting of the Monthly Sponsor Claim for Reimbursement, Annual Financial Report (AFR) and Verifications Summary Report related to the compliance requirements.

Also, The Shenandoah School Corporation has added controls to include provide proper oversight and monitoring of preparation and reporting of the NSLP Verification of Free and Reduced Price Applications, School Food Accounts and Paid Lunch Equity as related to the compliance requirements.

***FINDING 2017-007***

Fiscal year in which the finding initially occurred: FY 2017

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

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266

Status of Audit Finding:

The Shenandoah School Corporation has added controls to ensure compliance with requirement related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

***FINDING 2017-008***

Fiscal year in which the finding initially occurred: FY 2017

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

Contact Person Responsible for Corrective Action: Julia Miller

Contact Phone Number: (765) 354-2266

Status of Audit Finding:

The Shenandoah School Corporation has added controls to include provide proper oversight and monitoring of preparation and reporting of the NSLP Verification of Free and Reduced Price Applications, School Food Accounts and Paid Lunch Equity as related to the compliance requirements.



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## CORRECTIVE ACTION PLAN

### ***FINDING 2019-001***

Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number: (765) 354-2266

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

We have implemented internal controls related to the preparation of SEFA. The Shenandoah School Corporation has add controls, using the FY2018 corrected SEFA as a template, over review of financial activities, including but not limited to bank reconciliations, receipting, disbursing, recording and general accounting procedures.

Anticipated Completion Date:

January 1, 2020

### ***FINDING 2019-002***

Contact Person Responsible for Corrective Action: Julia Miller  
Contact Phone Number: (765) 354-2266

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Internal controls have been implemented to monitor the cash balance (net cash resources) in our School Lunch Fund.

Anticipated Completion Date:

January 1, 2020

## 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/>.