

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WASHINGTON COMMUNITY SCHOOLS, INC.

DAVISS COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/16/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carrie Alford	01-01-17 to 12-31-20
Superintendent of Schools	Dr. Daniel Roach	07-01-17 to 06-30-20
President of the School Board	Steven K. Frette Randy Bouchie	01-01-17 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 WASHINGTON COMMUNITY
SCHOOLS, INC., DAVIESS 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 Washington Community Schools, Inc. (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 26, 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.

Washington Community Schools, Inc.'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 26, 2020



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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 WASHINGTON COMMUNITY SCHOOLS, INC., DAVIESS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Washington Community Schools, Inc.'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 Special Education Cluster (IDEA)

As described in item 2019-002 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Matching, Level of Effort, and Earmarking. Consequently, we were unable to determine whether the School Corporation complied with that requirement applicable to the program.

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* 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 Special Education Cluster (IDEA) 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 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.

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 2019-002 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.

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 February 26, 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 26, 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.

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WASHINGTON COMMUNITY SCHOOLS, INC.
 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
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education						
Special Education Cluster (IDEA) Special Education Grants to State		84.027	14216-007-PN01	-	79,903	-	-
Special Education Cluster (IDEA) Special Education Grants to State		84.027	14217-007-PN01	-	238,212	-	119,238
Special Education Cluster (IDEA) Special Education Grants to State		84.027	19611-007-PN01	-	-	-	433,586
Special Education Cluster (IDEA) Special Education Grants to State		84.027	18611-007-PN01	-	366,532	-	223,252
Total - Special Education Grants to States				-	684,647	-	776,076
Special Education Preschool Grants							
Special Education Cluster (IDEA) Special Education Grants to State		84.173	18619-007-PN01	-	22,160	-	2,688
Special Education Cluster (IDEA) Special Education Grants to State		84.173	19619-007-PN01	-	-	-	24,033
Special Education Cluster (IDEA) Special Education Grants to State		84.173	45717-007-PN01	-	868	-	100
Total - Special Education Preschool Grants				-	23,028	-	26,821
Total - Special Education Cluster (IDEA)				-	707,675	-	802,897
Title I Grants to Local Educational Agencies	Indiana Department of Education						
Title I Part A		84.010	S010A160014	-	263,227	-	-
Title I School Improvement Grant 1003(a)		84.010	S010A160014	-	44,758	-	-
School Improvement Grant		84.010	S010A170014	-	38,600	-	-
Title I Part A		84.010	S010A180014	-	-	-	34,363
Title I Part A		84.010	S010A170014	-	416,448	-	295,802
Total - Title I Grants to Local Educational Agencies				-	763,033	-	330,165
Rural Education	Indiana Department of Education						
Rural and Low Income Schools Grant		84.358	S358B0180014	-	-	-	16,094
Rural and Low Income Schools Grant		84.358	S358B0170014	-	43,596	-	-
Rural & Low Income Schools Grant		84.358	S358B160014	-	11,957	-	-
Rural & Low Income Schools Grant		84.358	S358B0170014	-	-	-	5,553
Total - Rural Education				-	55,553	-	21,647

WASHINGTON COMMUNITY SCHOOLS, INC.
 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
English Language Acquisition State Grants	Indiana Department of Education						
Title III		84.365	S365A150014	-	2,908	-	-
Title III		84.365	S365A160014	-	26,448	-	2,925
Title III		84.365	S365A170014	-	16,149	-	16,663
Total - English Language Acquisition State Grants				-	45,505	-	19,588
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	Indiana Department of Education						
Summer Tech Grant		84.367	S367A160013	-	8,000	-	-
Title II Part A: Improving Teacher Quality and Effectiveness		84.367	S367A150013	-	11,239	-	-
Title II Part A: Improving Teacher Quality and Effectiveness		84.367	S367A160013	-	114,693	-	-
Title II Part A: Improving Teacher Quality and Effectiveness		84.367	S367A170013	-	42,129	-	-
Title II Part A: Improving Teacher Quality and Effectiveness		84.367	S367A170013	-	-	-	59,373
Total - Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)				-	176,061	-	59,373
School Improvement Grants	Indiana Department of Education						
School Improvement Grant		84.377	S377A140015	-	147,965	-	-
School Improvement Grant		84.377	S377A150015	-	-	-	40,962
School Improvement Grant		84.377	S377A140015	-	83,972	-	-
Total - School Improvement Grants				-	231,937	-	40,962
Student Support and Academic Enrichment Program	Indiana Department of Education						
Title IV Part A		84.424	S424A170015	-	1,915	-	34,427
Total - Department of Education				-	1,981,678	-	1,309,059
Total federal awards expended				\$ -	\$ 3,221,540	\$ -	\$ 2,713,955

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

WASHINGTON COMMUNITY SCHOOLS, INC.
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 Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative 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 of the School Corporation. This activity is reported on the financial statement of the Cooperative.

WASHINGTON COMMUNITY SCHOOLS, INC.
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 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
	Child Nutrition Cluster	Unmodified
	Special Education Cluster (IDEA)	Qualified
84.010	Title I Grants to Local Educational Agencies	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: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

Management of the School Corporation had not established an adequate internal control system related to financial transactions and reporting of the activity in the Self-Insurance Reserve fund.

The School Corporation utilized a third-party administrator to administer the Washington Community Schools Employee Benefit Trust (Self-Insurance Reserve fund). The administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income, expenditures, and ending cash balances. There was no evidence of any controls, such as an oversight, review, or approval process to verify that the information received from the administrator was accurate or to ensure that the receipts and disbursements of the Self-Insurance Reserve fund were recorded in the ledgers of the School Corporation or reported on the financial statement.

Due to the lack of controls, for the years ended June 30, 2018 and 2019, cash receipts were understated \$3,661,960 and \$2,018,117, respectively; cash disbursements were understated \$2,980,166 and \$1,944,949, respectively; and the cash and investment balance was understated \$2,355,258 and \$2,428,426, respectively.

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

Criteria

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

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

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

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

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

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

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

All financial transactions pertaining to the unit should be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal control to ensure that all transactions were recorded in the ledger of the School Corporation and that the information reported in the financial statement was accurate.

Effect

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

Recommendation

We recommended that the School Corporation's management establish internal controls to verify the accuracy of the information received from the administrator to ensure proper reporting of the Self-Insurance Reserve fund transactions in the financial statement.

Views of Responsible Officials

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

Auditor's Response

The Washington Community School Employee Benefit Trust (Self-Insurance Reserve fund) is within the care, custody, and control of the School Corporation as Trustee, acting in a fiduciary capacity for the exclusive benefit of the School Corporation's employees that are plan members and the School Corporation assumes financial responsibility for the plan. Therefore, the transactions of the Self-Insurance Reserve fund should be included in the School Corporation's regulatory financial statements.

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Numbers and Years (or Other Identifying Numbers): 14216-007-PN01, 14217-007-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Condition and Context

The School Corporation is a member of the Daviess-Martin Special Education Cooperative (Cooperative). During fiscal years 2017-2018 and 2018-2019, the Cooperative operated the special education program and spent the federal money on behalf of all its members. There was inadequate oversight performed by the School Corporation in order to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation had not established an effective internal control system in order to ensure that its Non-Public Proportionate Share expenditures were at least an amount that was the same proportion of the total subgrant as the number of non-public school students with disabilities within its boundaries was to the total of students with disabilities of the same age range.

The Non-Public Proportionate Share expenditures reported for the 14216-007-PN01 grant award could not be verified. Of the eight Proportionate Share Quarterly Monitoring Reports for Non-Public Schools that were required to be filed during the grant year, only three were presented for audit. The Non-Public Proportionate Share expenditures reported for the 14217-007-PN01 grant award could not be verified due to the lack of supporting documentation. Of the eight Proportionate Share Quarterly Monitoring Reports for Non-Public Schools that were required to be filed during the grant year, only four were presented for audit; however, no supporting documentation was included with the reports.

The lack of effective controls was a systemic issue throughout the audit period. The noncompliance was isolated to the 2016 grant year for 2017-2018, and to the 2017 grant award for 2018-2019.

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). . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

511 IAC 7-34-7(b) states:

"The public agency, in providing special education and related services to students in nonpublic schools and facilities, must expend at least an amount that is the same proportion of the public agency total subgrant under 20 U.S.C. 1411(f) as the number of nonpublic school students with disabilities, who are enrolled by their parents in nonpublic schools or facilities within its boundaries, is to the total number of students with disabilities of the same age range."

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. . . ."

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

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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 compliance requirement listed above. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

Views of Responsible Officials

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

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-003

Subject: Special Education Cluster (IDEA) - Procurement
Federal Agency: Department of Education
Federal Programs: Special Education Grants to States, Special Education Preschool Grants
CFDA Number: 84.027, 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 14217-007-PN01, 18611-007-PN01,
19611-007-PN01, 45717-007-PN01,
18619-007-PN01, 19619-007-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 is a member of the Daviess-Martin Special Education Cooperative (Cooperative). During fiscal years 2017-2018 and 2018-2019, the Cooperative operated the special education program and spent the federal money on behalf of all its members. There was inadequate oversight performed by the School Corporation in order to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The Cooperative did not obtain prices or rate quotations from an adequate number of qualified sources, and full and open competition was not provided for purchases of goods or services that fell within the small purchase requirement. Documentation was not provided to show that consideration was given to the reasonableness of prices of purchases made, and full and open competition was not provided for purchases that fell within the micro-purchase requirement.

The lack of controls and noncompliance was isolated to 2018-2019.

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. . . ."

WASHINGTON COMMUNITY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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 200.319 states in part: "(a)All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . ."

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. . . ."

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control 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.



Washington Community Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2015

Contact Person Responsible for Corrective Action: Carrie Alford, Dr. Daniel Roach, Kevin Frank

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Since the district was made aware of the requirement in August 2017, the SEFA is reviewed by both the Superintendent and the Asst. Superintendent.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2015

Contact Person Responsible for Corrective Action: Dr. Daniel Roach, Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Washington Community School officials disagree with this finding. WCS has an 1100 Self Insurance fund that we control. Those funds are subject to the same controls as all other corporation funds. The fund that is being referred to in this finding is a fund that is not owned by Washington Community Schools (Tax ID 351099438), it is owned by Washington Community Schools Benefit Trust with a different Tax-ID number. Once these funds are sent to Dunn and Associates they are no longer under the control or the umbrella of Washington Community Schools. These funds will never be returned to Washington Community Schools, even if Washington Community Schools decides to no longer employ the use the trust account those funds will be sent to the new provider of health coverage. Dunn and Associates is audited regularly by both the DOL and the re-insurance carriers to ensure proper use of funds according to the trust agreement.

Dunn and Associates is audited regularly to ensure all receipts and disbursements are accurate and related to the correct group. To ensure Washington Community Schools is in compliance with HIPPA regulations, we will not be reviewing claims paid for our employees. Dunn and Associates emails a balance each Wednesday to the Business Manager and she forwards to the Superintendent. The Superintendent keeps these weekly balance reports in a binder. This report is used to ensure the check written each month by the Business Manager is received by Dunn and Associates and added to the reserve amount. There are weekly claims paid total is included in this report as well.

Trust agreement 2006



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2015

Contact Person Responsible for Corrective Action: Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Since October 2016, all reports including Paid Lunch Equity are reviewed and signed by the Food Service Director. Also since October 2016 the Business Manager reviews the balance monthly and initials to indicate the check has been done.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004

Fiscal year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Status of Audit Finding:

In August 2017, the IDOE required letter was sent home with every student informing them of the eligibility criteria per guidance from SBOA. Beginning with the registration process for students for the 18-19 school year, every parent acknowledged by signing off when enrolling their child into school.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: 2017

Contact Person Responsible for Corrective Action: Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

Since Jan 2019, Washington Community Schools has contracted with Sodexo to use their inventory system to maintain and track equipment to more effectively.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006

Fiscal year in which the finding initially occurred: 2015

Contact Person Responsible for Corrective Action: Carrie Alford

Contact Phone Number:

Status of Audit Finding:

In August of 2016, a separate Prepaid account was established and is maintained with all the internal controls of all other Corporation Funds.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007

Fiscal year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Carrie Alford
Contact Phone Number: 812-254-5536

Status of Audit Finding:

Beginning in December 2018, the Business manager works with the Food Service Director to ensure that two people are signing off on all claims and Financial Reports.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-008

Fiscal year in which the finding initially occurred: 2017

Contact Person Responsible for Corrective Action: Carrie Alford

Contact Phone Number: 812-254-5536

Status of Audit Finding:

This process was fixed for the 16-17 School year. The verification process was moved out of the duties of the Food Service Secretary and given to a Building ECA Treasurer. Since that move, the process has been done correctly and proper records have been retained. The Food Service Director review and signs the Verification Reports.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-009

Fiscal year in which the finding initially occurred: 2017
Contact Person Responsible for Corrective Action: Kevin Frank
Contact Phone Number: 812-254-5536

Status of Audit Finding:

Washington Community Schools maintains documentation of enrollment that is pulled on the same date of public and non-public schools. Documentation is on file to prove enrollment numbers. This has occurred since the district was made aware in November 2018.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-010

Fiscal year in which the finding initially occurred: 2015

Contact Person Responsible for Corrective Action: Kevin Frank

Contact Phone Number: 812-254-5536

Status of Audit Finding:

This process was fixed at the conclusion of the audit in August of 2017. Beginning in August 2017, all Comparability Reports are prepared by the Assistant Superintendent but reviewed and approved by the Superintendent and the School Board.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-011

Fiscal year in which the finding initially occurred: 2015
Contact Person Responsible for Corrective Action: Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Status of Audit Finding”

The Superintendent began monitoring the Daviess Martin Special Education Director at the conclusion of the August 2017 audit, and continues to monitor Daviess Martin Special Education Director to ensure compliance with all grant requirements.



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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Dr. Daniel Roach, Carrie Alford
Contact Phone Number: 812-254-5536

Views of Responsible Official:

Washington Community School officials disagree with this finding. WCS has an 1100 Self Insurance fund that we control. Those funds are subject to the same controls as all other corporation funds. The fund that is being referred to in this finding is a fund that is not owned by Washington Community Schools (Tax ID 351099438), it is owned by Washington Community Schools Benefit Trust with a different Tax-ID number. Once these funds are sent to Dunn and Associates they are no longer under the control or the umbrella of Washington Community Schools. Dunn and Associates is audited regularly by both the DOL and the re-insurance carriers to ensure proper use of funds according to the trust agreement.

Description of Corrective Action Plan:

Dunn and Associates is audited regularly to ensure all receipts and disbursements are accurate and related to the correct group. To ensure Washington Community Schools is in compliance with HIPPA regulations, we will not be reviewing claims paid for our employees. Dunn and Associates emails a balance each Wednesday to the Business Manager and she forwards to the Superintendent. The Superintendent keeps these weekly balance reports in a binder. This report is used to ensure the check written each month by the Business Manager is received by Dunn and Associates and added to the reserve amount. There are weekly claims paid total is included in this report as well.

Anticipated Completion Date: Trust agreement 2006



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CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Director of the Daviess Martin Special Ed Coop will provide Proportionate Share expenditure data quarterly to the Superintendent of Washington Community Schools. This documentation will be reviewed and signed by WCS Superintendent.

Anticipated Completion Date: Beginning March 2020.



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CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Dr. Daniel Roach
Contact Phone Number: 812-254-5536

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

Daviess Martin Special Education Director will maintain vendor lists to be reviewed by WCS Superintendent at the time of purchase. When bids are necessary, those will also be reviewed and approved by WCS Superintendent.

Anticipated Completion Date: Beginning March 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/>.