

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

NEW CASTLE COMMUNITY SCHOOL CORPORATION

HENRY COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/18/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Megan Bell	07-01-17 to 12-31-20
Superintendent of Schools	Stephen Welsh (interim) Dr. Matthew Shoemaker	06-01-17 to 09-26-17 09-27-17 to 06-30-21
President of the School Board	Elizabeth Whitmer Jamey Marcum Travis Callaway	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-20



STATE OF INDIANA
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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 NEW CASTLE COMMUNITY 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 New Castle Community School Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated February 27, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

Compliance and Other Matters

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 27, 2020



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 NEW CASTLE COMMUNITY SCHOOL CORPORATION, HENRY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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.

Opinion on Each 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 each of its major federal programs for the period of July 1, 2017 to June 30, 2019.

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 2019-001. 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 2019-001, 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.

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)

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 27, 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 27, 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553	FY 17-18 FY 18-19	\$ - -	\$ 368,439 -	\$ - -	\$ - 403,573
Total - School Breakfast Program				-	368,439	-	403,573
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555	FY 17-18	-	850,236	-	-
School Lunch Program			FY 18-19	-	-	-	906,489
School Lunch Program - Commodities			FY 17-18	-	143,152	-	-
School Lunch Program - Commodities			FY 18-19	-	-	-	133,753
Total - National School Lunch Program				-	993,388	-	1,040,242
Summer Food Service Program for Children							
Summer Food Service Program	Indiana Department of Education	10.559	FY 17-18	-	24,719	-	-
Summer Food Service Program			FY 18-19	-	-	-	23,747
Total - Summer Food Service Program for Children				-	24,719	-	23,747
Total - Child Nutrition Cluster				-	1,386,546	-	1,467,562
Total - Department of Agriculture				-	1,386,546	-	1,467,562
Department of Defense							
National Guard Challenge Program	Indiana Department of Education	12.404	FY 17-18, FY 18-19	-	14,618	-	10,136
Total - Department of Defense				-	14,618	-	10,136
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education IDEA			14217-042-PN01	-	336,726	-	10,662
Special Education IDEA			18611-042-PN01	-	736,871	-	281,600
Special Education IDEA			19611-042-PN01	-	-	-	722,694
Total - Special Education Grants to States				-	1,073,597	-	1,014,956
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Preschool Grants			45717-042-PN01	-	23,876	-	-
Special Education Preschool			18619-042-PN01	-	41,650	-	19,478
Special Education Preschool			19619-042-PN01	-	-	-	44,069
Total - Special Education Preschool Grants				-	65,526	-	63,547
Total - Special Education Cluster (IDEA)				-	1,139,123	-	1,078,503

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Adult Education - Basic Grants to States	Indiana Department of Education	84.002					
Adult Education			AE6-25	87,597	232,020	-	-
Adult Education			AE7-25	-	36,017	-	48,238
Adult Education			AE8-25	-	-	-	54,821
Total - Adult Education - Basic Grants to States				87,597	268,037	-	103,059
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			17-3445	-	245,281	-	-
Title I			18-3445	-	447,930	-	226,688
Title I			19-3445	-	-	-	479,322
School Improvement Grant			S010A160014	-	32,448	-	-
School Improvement Grant			S010A170014	-	25,745	-	12,226
Total - Title I Grants to Local Educational Agencies				-	751,404	-	718,236
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048					
Perkins 2016-17			17-4700-3445	-	48,942	-	-
Perkins 2017-2018			18-4700-3445	-	82,712	-	45,598
Perkins 2018-2019			19-4700-3445	-	-	-	124,481
Total - Career and Technical Education - Basic Grants to States				-	131,654	-	170,079
Rural Education	Indiana Department of Education	84.358					
Title VI Rural and Low Income			7000S358B150014	-	52,270	-	-
Title VI Rural and Low Income			7000S358B180014	-	-	-	40,955
Total - Rural Education				-	52,270	-	40,955
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Teacher Quality FY2015			S367A150013	-	38,762	-	-
Teacher Quality FY 2016			S367A160013	-	101,932	-	74,962
Teacher Quality FY2017			S367A170013	-	8,933	-	50,049
Teacher Quality FY2018			S367A180013	-	-	-	7,944
Total - Supporting Effective Instruction State Grants				-	149,627	-	132,955
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A 2017			S424A170015	-	18,049	-	48,272
Title IV Part A 2018			S424A180015	-	-	-	32,071
Total - Student Support and Academic Enrichment Program				-	18,049	-	80,343
Total - Department of Education				87,597	2,510,164	-	2,324,130
Total federal awards expended				\$ 87,597	\$ 3,911,328	\$ -	\$ 3,801,828

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

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.

NEW CASTLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

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

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

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster	Unmodified
	Title I Grants to Local Educational Agencies	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

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-001

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment
 Federal Agency: Department of Education
 Federal Programs: Special Education Grants to States, Special Education Preschool Grants
 CFDA Numbers: 84.027, 84.173
 Federal Award Numbers and Years: 14217-042-PN01, 18611-042-PN01, 19611-042-PN01, 45717-042-PN01, 18619-042-PN01, 19619-042-PN01
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Procurement and Suspension and Debarment
 Audit Findings: Material Weakness, Other Matters

NEW CASTLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation is a member of the New Castle Area Program for Exceptional Children (Cooperative). During fiscal year 2018-2019, the Cooperative spent the federal money on behalf of all its members and there was inadequate oversight performed by the School Corporation of the procurement and suspension and debarment practices of the Cooperative.

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

The Cooperative did not establish proper internal controls over the procurement requirement.

There were three contracts during 2018-2019 that exceeded \$25,000; however, the Cooperative did not have procedures in place in order to verify that the vendors were not suspended or debarred prior to entering into a covered transaction with them.

The lack of controls over the procurement requirement was a systemic issue throughout the audit period. The lack of controls and noncompliance over the suspension and debarment requirement were systemic issues 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). . . ."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirement and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2019-002

Subject: Title I Grants to Local Educational Agencies - Eligibility

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): S010A160014, S010A170014,
17-3445, 18-3445, 19-3445

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-009.

Condition and Context

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that there was a proper segregation of duties related to Eligibility. One employee was solely responsible for maintaining compliance with the information submitted to the Department of Education, through the real time report. There was not an oversight or review process in place to ensure that the information was submitted correctly.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal 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 at risk of noncompliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-003

Subject: Child Nutrition Cluster - Eligibility, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report for Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP). The prior audit finding number was 2017-015.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Eligibility

The School Corporation did not have any documented control in place to ensure that the income guidelines used to determine eligibility by the software application were accurate after each annual update.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Eligibility verifications performed as part of the Verification Summary Reports were performed by one individual. There was no documented oversight or review process, or other compensating control to ensure that eligibility determinations were accurate.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

NEW CASTLE COMMUNITY SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

New Castle Community School Corporation

Community Education Center, 322 Elliott Avenue, New Castle, IN 47362

Dr. Matthew Shoemaker, Superintendent
Ms. Lisa Smith, Assistant Superintendent
Ms. Sherri Bergum, Director of Curriculum & Elementary Programs
Ms. Megan Bell, Chief Financial Officer / Corporation Treasurer



(765) 521-7201
Fax: (765) 521-7268

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: FY 2017
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer
Contact Phone Number: 765-521-7201

Status of Audit Finding:

Student incentives are no longer purchased using ABE federal funds. This was corrected in December 2018. A system of internal controls has been established to include the review and approval of all ABE purchases by the ABE Program Administrator and CFO/Corporation Treasurer to ensure compliance with the grant agreement.

FINDING 2017-002

Fiscal year in which the finding initially occurred: FY 2017
Pass-Through Entity: Indiana Department of Workforce Development
Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer
Contact Phone Number: 765-521-7201

Status of Audit Finding:

This compliance requirement is currently not applicable. Effective FY 2018, New Castle Community School Corporation is no longer responsible for passing along federal ABE funds to sub recipients. Instead, federal ABE funds are paid directly to each school corporation by the State. However, if NCCSC were to be the LEA in the future and pass federal funds along to sub recipients, internal controls will be established to ensure proper documentation is obtained to verify status of sub recipients.

FINDING 2017-003

Fiscal year in which the finding initially occurred: FY 2015; FY 2017
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer
Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC established more effective internal controls in September 2016 to comply with the grant agreement. The Director of Special Education provides the CFO/Corporation Treasurer and Deputy Treasurer semi-annual certifications of employees and contracted employees paid from federal awards. Employees paid from special education grants are also

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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 2015; FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC established more effective internal controls in September 2016 to comply with the grant agreement. The Director of Special Education provides the CFO/Corporation Treasurer 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 2017-005

Fiscal year in which the finding initially occurred: FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

Internal controls were added to include requirements related to the grant agreement and the Level of Effort compliance requirement. The Level of Effort-Maintenance of Effort is completed by the CFO/Corporation Treasurer from the financial records of the school corporation. A spreadsheet is maintained to track all corporation accounts used in the annual calculation of Maintenance of Effort to ensure accuracy and consistency from year to year. The report will also be reviewed and verified by the Director of Special Education prior to submission.

FINDING 2017-006

Fiscal year in which the finding initially occurred: FY 2015; FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC established more effective internal controls in FY 2017 to comply with the grant agreement. Employees paid from Title I grants are confirmed by periodic certifications of payroll histories being sent to the building principal for review to ensure all transactions are allowable costs.

NCCSC also established additional controls to ensure all transactions are allowable and approved by the grant administrator in May 2019. Title I building principals and secretaries receive annual communication/training from the grant administrator related to activities allowed and allowable costs, programming, and compliance documentation for Title I. More specifically, any purchase of food items requires pre-approval from the grant administrator as part of approved parent involvement activities and must meet the test of parent involvement. Professional development demonstrates compliance in benefiting the lowest achieving students through approved strategies. Internal controls include a proper segregation of duties, to ensure the accuracy of Personnel Activity Reports.

In January 2019, internal controls were added to include semi-annual certifications to be completed at each Title I school. The certifications are reviewed by both the Title I Administrator and the Human Resource Specialist upon completion. Reviews include an internal sign-off document to verify the control is being met. In addition, time and effort logs will be maintained by split-funded employees and compiled at each building. Reviews include an internal sign-off document to verify the control is being met.

FINDING 2017-007

Fiscal year in which the finding initially occurred: FY 2017
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer
Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC added internal controls to follow guidelines and meet compliance requirements related to the Annual Report Card/High School Graduation Rate. The building secretary is to make every effort to obtain proper documentation related to student withdrawals. If a parent or guardian cannot be located to complete the required withdrawal paperwork, a missing student letter will be mailed to the address on file, and a copy of the letter will be included in the student's perm file. The State Application site is also utilized to search for the student's enrollment in another school corporation in the State of Indiana. Documentation of searches is to be maintained in the student's perm file. If a student is still unable to be located, the school principal or designee review documentation and sign off to verify all efforts to locate student have been exhausted.

FINDING 2017-008

Fiscal year in which the finding initially occurred: FY 2017
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer
Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC added internal controls to include a proper segregation of duties regarding Comparability, Highly Qualified Teachers and Paraprofessionals, and Assessment and System Security.

Comparability reports compiled by the Title I Administrator are reviewed and signed off by the Human Resource Specialist prior to submission.

Building principals maintain a list of teachers and instructional assistants identifying whether the individual is highly qualified or not. All building lists are submitted to the Human Resource Specialist upon completion for review and verification. Within 90 days, the HR Specialist checks to ensure all teachers or instructional assistants are highly qualified. Supporting documentation of an employee's HQ status will be maintained in the employee's personnel file.

Annual training and communication is provided to all staff members related to the Assessment System Security requirements. The Corporation Testing Coordinator, with the assistance of the Support Specialist, reviews and verifies the signed documentation from all employees. The Corporation Testing Coordinator will notify the Superintendent and/or the Assistant Superintendent of any employees not meeting this requirement. Employees opting not to comply with the Assessment System Security requirement will be disciplined accordingly.

FINDING 2017-009

Fiscal year in which the finding initially occurred: FY 2017
Pass-Through Entity: Indiana Department of Education
Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer
Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC added internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement. The CFO/Corporation Treasurer works with the Support Specialist and Student Report Support to identify any differences in the eligibility calculations submitted to DOE with the unit's records. Eligibility totals included in the FY 2020 Title I application were reconciled with the unit's records in November 2019. Both the CFO/Corporation Treasurer and Support Specialist verify the eligibility calculations being submitted to DOE agree with the unit's records using the Real Time report for the corresponding period.

FINDING 2017-010

Fiscal year in which the finding initially occurred: FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC added internal controls to ensure compliance with the grant agreement and the Cash Management compliance requirement. The Food Service Director maintains a plan to spend down the cash balance of the school lunch funds in the amount exceeding the 3 months average expenditures. The plan is updated annually based on the current food service balance. The Food Service Director has maintained a plan since the 2015/2016 school year, and since November 2017 the plan has been submitted annually to the IDOE Food and Nutrition Department. The plan is also reviewed annually by the CFO/Corporation Treasurer.

FINDING 2017-011

Fiscal year in which the finding initially occurred: FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC added internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Semi-annual certifications, listing employees paid only from the federal program, are compiled by the Food Service Director twice a year and then reviewed by the CFO/Corporation Treasurer for accuracy. Reviews include an internal sign-off verifying the control is being met. Employees paid from the Food Service Fund are confirmed by periodic certifications of payroll histories being sent to the Food Service Director for review to ensure all transactions are allowable costs.

FINDING 2017-012

Fiscal year in which the finding initially occurred: FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC added internal controls to ensure compliance with the grant agreement and the Procurement compliance requirement. The Food Service Director submits to the CFO/Corporation Treasurer a request to purchase form for all purchases that qualify as "small purchases" under the procurement plan submitted to the IDOE. The CFO/Corporation

Treasurer reviews the request and supporting documentation required for “small purchases” and signs off to confirm the item does qualify as a “small purchase” before the request to purchase is approved and processed.

The Food Service Secretary verifies all vendors providing goods and/or services are in good standing by checking the Sam Exclusions; or collecting a certification from that person; or adding a clause or condition to the covered transaction with that person. The Food Service Director is the second review of documentation to verify NCCSC is in compliance with 2 CRF 180.300.

FINDING 2017-013

Fiscal year in which the finding initially occurred: FY 2015 & FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC added internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement. The Food Service Director is to provide a public release at the start of each school year to the informational media, the local unemployment office, and to any major employers contemplating large layoffs in the area from which the school draws its attendance. The public release will contain the same information supplied to parents, including both free and reduced price eligibility criteria.

To verify eligibility for the program, the Food Service Director randomly pulls 10% of all paper applications, not previously verified through verification for cause and/or state mandated verification, to confirm the eligibility determination was correct. The number of qualifying applications will be reported along with the number of applications pulled for random verification. The names of all students listed on the application will be included in the report. If more than 2% of the 10% are found to be incorrect, all applications will be pulled and the eligibility determination will be verified. The findings of this verification will be kept with the paper applications qualifying for verification. The Food Service Director has randomly verified applications since the 2014/2015 school year without the findings being retained for documentation purposes. Proper documentation confirming these procedures have been maintained since the 2018/2019 school year.

FINDING 2017-014

Fiscal year in which the finding initially occurred: FY 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

In August 2017, NCCSC established a more effective internal control system to ensure compliance with the grant agreement and the Program Income requirement. A Prepaid Food Fund was established at the end of FY 2015 to account for prepaid food. Starting in July 2017, all food service collections were receipted in the Prepaid Food Fund. Monthly transfers are made to the School Lunch Fund to appropriately classify the meals charged by students. The Food Service Director sends the CFO/Corporation Treasurer subsidiary ledgers at the close of each month to assist in the reconciliation of the Prepaid Food Fund. Since December 2018, the Food Service Director has been reviewing and signing off on the Prepaid Food Fund reconciliation prepared monthly by the CFO/Corporation Treasurer.

FINDING 2017-015

Fiscal year in which the finding initially occurred: FY 2015 & 2017

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Status of Audit Finding:

NCCSC has added internal controls to include a proper segregation of duties related to Verification of Free and Reduced Meal Price Applications (NSLP) and School Food Accounts. The Food Service Director performs the annual verification of free and reduced price applications required by the USDA and IDOE. The Food Service Secretary then reviews the applications and verifies the information is accurate and complete prior to submission to IDOE for approval. In FY 2017, the Food Service Director began sending the quarterly and annual financial reports to the CFO/Corporation Treasurer to review for accuracy and approval prior to submission.

New Castle Community School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Dr. Amy Blake, Special Education Director
Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Views of Responsible Official: New Castle Community School Corporation understands the finding.

Description of Corrective Action Plan:

Procedures were added to verify that the vendors were not suspended or debarred prior to entering into a covered transaction with them. NCCSC will check a vendor's status using SAM Exclusions. The system will be checked prior to a contract or purchase order being issued to a vendor, and the status will be printed and attached to the contract or requisition. The Corporation Treasurer will verify that no vendors have been Suspended or Debarred prior to final procurement approval. The Purchasing Secretary will then confirm the vendor's status upon receiving the approved purchase for processing.

Anticipated Completion Date: The Corrective Action Plan was fully implemented immediately following the conclusion of the New Castle Area Special Services Cooperative audit on October 31, 2019.

FINDING 2019-002

Contact Person Responsible for Corrective Action: Jean Ann McAllister, Title I Administrator
Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Views of Responsible Official: New Castle Community School Corporation understands the finding.

Description of Corrective Action Plan:

NCCSC addressed this finding immediately following the conclusion of our previous audit in December 2018. Due to the delay in audit by State Board of Accounts, the corrective action could not take place until after the audit period. The Support Specialist and Student Report Support reconcile and identify any differences between the eligibility calculations submitted to DOE with the unit's records. The Corporation Treasurer then reviews the reconciliation and verifies the eligibility calculations being submitted to DOE agree with the unit's records using the Real Time report for the corresponding period.

Anticipated Completion Date: The Corrective Action Plan was fully implemented following the conclusion of our prior audit.

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FINDING 2019-003

Contact Person Responsible for Corrective Action: Dee Orick, Food Service Director
Megan Bell, CFO/Corporation Treasurer

Contact Phone Number: 765-521-7201

Views of Responsible Official: New Castle Community School Corporation understands the finding.

Description of Corrective Action Plan:

Eligibility

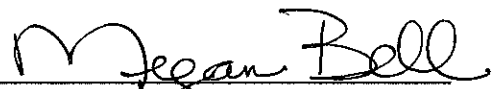
Description of Corrective Action Plan: The Food Service Director will annually update eligibility guidelines provided by the USDA. Following the update, the Food Service Secretary will review the income guidelines for accuracy and sign off when complete. Documentation of the review process will be maintained by the Food Service Department.

Anticipated Completion Date: Effective immediately.

Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP)

Description of Corrective Action Plan: NCCSC corrected the issue in December 2018. Due to the delay in audit by State Board of Accounts, the corrective action could not take place until late in the audit period. The Food Service Director completes the verification process for all selected applications. Before the verification process is completed, the Food Service Secretary will review and sign off on the verification folder to show the application has been reviewed prior to submitting to IDOE for approval.

Anticipated Completion Date: The Corrective Action Plan was fully implemented following the conclusion of our prior audit.


Megan Bell, CFO/Corporation Treasurer
February 27, 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/>.