

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

RANDOLPH EASTERN SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/18/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
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 <i>Government Auditing Standards</i> .....	3-4
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 .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-20
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	22-23
Corrective Action Plan .....	24-25
Other Reports.....	26

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Brenda Peacock Lindsey Burk	01-01-18 to 02-01-19 02-01-19 to 12-31-20
Superintendent of Schools	Lisa K. Smith Alice Johnson (interim) Aaron Black	01-01-17 to 07-31-18 08-01-18 to 01-31-19 02-01-19 to 06-30-22
President of the School Board	Greg Whitesel Linda Puccini	01-01-17 to 12-31-18 01-01-19 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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](http://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 RANDOLPH EASTERN SCHOOL  
CORPORATION, RANDOLPH 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 Randolph Eastern 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 4, 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 4, 2020, except for the Schedule of Expenditures  
of Federal Awards, for which the date is February 25, 2020



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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](http://www.in.gov/sboa)

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 RANDOLPH EASTERN SCHOOL CORPORATION, RANDOLPH COUNTY, INDIANA

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

As described in item 2019-002 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Activities Allowed or Unallowed and Allowable Costs/Cost Principles that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

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

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

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 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 2019-001, 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.

### **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 4, 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 25, 2020

(This page intentionally left blank.)

## 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.

(This page intentionally left blank.)

RANDOLPH EASTERN SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553		\$ -	\$ 51,037	\$ -	\$ -
			FY 17-18	-	-	-	-
			FY 18-19	-	-	-	47,060
Total - School Breakfast Program				-	51,037	-	47,060
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555		-	275,018	-	-
			FY 17-18	-	-	-	255,187
			FY 18-19	-	40,207	-	-
National School Lunch Program-Commodities			FY 17-18	-	-	-	-
National School Lunch Program-Commodities			FY 18-19	-	-	-	37,799
Total - National School Lunch Program				-	315,225	-	292,986
Summer Food Service Program for Children							
Summer Food Service Program for Children	Indiana Department of Education	10.559		-	2,633	-	-
			FY 17-18	-	-	-	1,349
			FY 18-19	-	-	-	-
Total - Summer Food Service Program for Children				-	2,633	-	1,349
Total - Child Nutrition Cluster				-	368,895	-	341,395
Total - Department of Agriculture				-	368,895	-	341,395
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027		-	30,744	-	-
			14217-064-PN01	-	-	-	-
			18611-064-PN01	-	176,162	-	30,786
			19611-064-PN01	-	-	-	178,586
Total - Special Education Grants to States				-	206,906	-	209,372

RANDOLPH EASTERN SCHOOL CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
			45717-064-PN01	-	6,983	-	-
			18619-064-PN01	-	6,762	-	6,865
			19619-064-PN01	-	-	-	13,092
Total - Special Education Preschool Grants				-	13,745	-	19,957
Total - Special Education Cluster (IDEA)				-	220,651	-	229,329
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
			S010A160014	-	88,769	-	-
			S010A170014	-	205,800	-	93,050
			S010A180014	-	-	-	204,465
Total - Title I Grants to Local Educational Agencies				-	294,569	-	297,515
Rural Education	Indiana Department of Education	84.358					
			S358B150014	-	15,830	-	-
			S358B160014	-	11,074	-	9,361
			S358B170014	-	-	-	14,072
			S358B180014	-	-	-	532
Total - Rural Education				-	26,904	-	23,965
English Language Acquisition State Grants	Indiana Department of Education	84.365					
	Jay School Corporation		01118-211-PN01	-	3,814	-	4,678
			01117-205-PN01	-	11,143	-	-
			01119-079-PN01	-	-	-	2,080
Total - English Language Acquisition State Grants				-	14,957	-	6,758



RANDOLPH EASTERN 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 Greater Randolph Interlocal 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.

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

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

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

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II - Financial Statement Findings**

No matters are reportable.

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

**FINDING 2019-001**

Subject: Child Nutrition Cluster - Internal Controls  
 Federal Agency: Department of Agriculture  
 Federal Programs: School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children  
 CFDA Numbers: 10.553, 10.555, 10.559  
 Federal Award Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirements: Cash Management, Program Income  
 Audit Finding: Material Weakness

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report for program income. The prior audit finding number was 2017-001. This is a repeat finding from the immediately prior audit report for cash management. The prior audit finding number was 2017-002.

*Condition and Context*

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management and Program Income compliance requirements.

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

The School Corporation did not have effective controls to monitor the monthly cash balance (net cash resources) of the School Lunch fund to ensure that the amount did not exceed the three months average expenditures. The calculation was performed during the audit period; however, there was no evidence of oversight or review of the calculation.

*Program Income*

The School Corporation did not have effective controls to monitor the monthly transfer from the Prepaid Food fund to the School Lunch fund. Documentation of the transfer amount calculations for the audit period was provided; however, there was no evidence of oversight or review of the calculation.

The lack of controls were systemic issues throughout most of the audit period for cash management where controls were implemented in January 2019. The lack of controls for program income monthly transfers was a systemic issue, 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 of the School Corporation had not developed a system of internal control to ensure compliance with the Cash Management and Program Income compliance requirements.

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to establish an effective internal control system, which included segregation of duties, 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 control to ensure compliance with the grant agreement and the Cash Management and Program Income compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2019-002**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 17-18, FY 18-19  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Modified Opinion

*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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Effective controls were not in place to ensure that only applicable employees were paid from program funds. The School Corporation paid \$103,774 of central office and administrative salaries/wages that were allocated to the School Lunch fund based on fixed percentages and daily monitoring in the cafeteria. There was no supporting documentation to indicate how the percentages were determined or time records indicating the time spent on the program by administrators.

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

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

2 CFR 200.430(i) states in part:

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

(i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;

(ii) Be incorporated into the official records of the non-Federal entity;

(iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .

(vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management had not developed a system of internal control that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Questioned Costs*

The \$103,774 of the central office and administrative salaries/wages allocated to the School Lunch fund was considered questioned costs.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2019-003**

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years: FY 17-18, FY 18-19

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*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 small purchase procurement method of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not obtain quotes for all items with purchases under the small purchase procurement method. The School Corporation did not obtain price or rate quotations from other vendors or document the basis for purchasing from these vendors.

The lack of controls and noncompliance occurred throughout the audit period.

RANDOLPH EASTERN SCHOOL CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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*

Management had not developed a system of internal control that would have ensured compliance with the small purchase procurement method of the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the small purchase procurement method of the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the small purchase procurement method of the Procurement and Suspension and Debarment compliance requirement.

*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.



# Randolph Eastern School Corporation

731 N. Plum Street  
Union City, IN 47390  
Phone: 765-964-494 Fax: 765-964-6590



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-001**

Fiscal year in which the finding initially occurred:  
**2016**

Pass-Through Entity:  
**Indiana Department of Education**

Contact Person Responsible for Corrective Action:  
**Aaron Black**  
**Superintendent**

Contact Phone Number:  
**765-964-4994**

Status of Audit Finding:

*Allowable Activities* - While distribution reports in the tested sample were not verified by another individual, the current practice is that the payroll clerk prints the payroll distributions from federal funds with each employee along with which federal fund they are being paid out of. The payroll clerk submits these reports to the superintendent for verification and the superintendent signs or initials the report. This practice has continued.

*Allowable Costs/Cost Principles* - While distribution reports in the tested sample were not verified by another individual, the current practice is that the payroll clerk prints the payroll distributions from federal funds with each employee along with which federal fund they are being paid out of. The payroll clerk submits these reports to the superintendent for verification and the superintendent signs or initials the report. This practice has continued.

*Eligibility* - The Cafeteria Manager has verified and initialed the paper application indicating what the Cafeteria Secretary has entered into the software program matches the information on the application and the verification was performed in accordance with program requirements.

Each paper application has been stamped with the words Eligibility and the words Program Requirements.

*Procurement and Suspension and Debarment* - The corporation treasurer prints debarment forms for each vendor. All debarment forms have been verified and initiated by the superintendent to ensure compliance.

*Program Income* - The Cafeteria secretary generates the Sales Activity Report and the cafeteria manager generates the School food Service Daily Record of Meals/Milk Served Report. The Cafeteria Secretary verifies the Meals Served report by signing or initialing and the Cafeteria Manager verifies the Activity Report by initialing or signing. These two corresponding reports verifies two forms of internal control that the income received agrees with the records generated from the food service program.



# Randolph Eastern School Corporation

731 N. Plum Street  
Union City, IN 47390

Phone: 765-964-494 Fax: 765-964-6590



*Reporting* - The cafeteria secretary submits the verification summary reports to the cafeteria manager, whom verifies and initials the report.

*Special Tests and Provisions* - Verification of Free and Reduced Price Applications - The Cafeteria Manager verifies and initials the paper application indicating what the Cafeteria Secretary has entered into the software program matches the information on the application and the verification was performed in accordance with program requirements.

Each paper application will be stamped with the words Eligibility and the words Program Requirement.

*Special Tests and Provisions* - Paid Lunch Equity - Annually, the Cafeteria Manager will print the PLE tool and it will be verified and signed or initialed by the Corporation Financial Manager.

### **FINDING 2017-002**

Fiscal year in which the finding initially occurred:

**2016**

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

**Indiana Department of Education**

Contact Person Responsible for Corrective Action:

**Aaron Black**

**Superintendent**

Contact Phone Number:

**765-964-4994**

Status of Audit Finding:

During the calendar year of 2019 (Following Previous Audit) we have completed a quarterly report that has been reviewed by our corporation financial manager, our cafeteria manager, and the school superintendent. All documents were approved and initialed by the superintendent. During the 2019 calendar year there was not an instance in which the cafeteria manager needed to file a report of planned expenditures to decrease the cafeteria fund balance.

Reports were submitted in: March, June, September and December.

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

*Superintendent*  
\_\_\_\_\_  
(Title)

*2/24/2020*  
\_\_\_\_\_  
(Date)



## Randolph Eastern School Corporation

731 N. Plum Street  
Union City, IN 47390

Phone: 765-964-4994 Fax: 765-964-6590



### CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action:

**Aaron Black, Superintendent**

Contact Phone Number:

**765-964-4994**

Views of Responsible Official:

**We Concur with the finding**

Description of Corrective Action Plan:

#### *Cash Management:*

*Currently, the corporation treasurer submits to the cafeteria a monthly fund report of expenditures. Effective immediately, the cafeteria manager shall submit back to the corporation financial manager a quarterly report comparing the fund balance with the average quarterly expenditures. Should the fund balance exceed the average three months expenditures, the cafeteria manager shall file an accompanying report of planned expenditures to decrease the fund balance. The corporation financial manager shall sign all quarterly reports submitted to verify the compliance with calculating the three- month rule. In the case where a planned expenditures report is required, the corporation financial manager will verify and the superintendent shall approve/initial the planned expenditure report.*

*Reports are submitted end of month: March, June, September, and December.*

#### *Program Income:*

*The school corporation will monitor monthly transfers from the Prepaid School Fund to the School Lunch Fund by having the cafeteria manager submit documentation to the corporation financial manager who will in turn have the superintendent review and sign off on.*

Anticipated Completion Date: *This plan was implemented and completed throughout the 2019 school year and will be a continued practice at Randolph Eastern.*



## Randolph Eastern School Corporation

731 N. Plum Street

Union City, IN 47390

Phone: 765-964-4994 Fax: 765-964-6590



### **FINDING 2019-002**

Contact Person Responsible for Corrective Action:

**Aaron Black, Superintendent**

Contact Phone Number:

**765-964-4994**

Views of Responsible Official:

**We Concur with the finding**

Description of Corrective Action Plan:

*Randolph Eastern as of January 1, 2020 has stopped pulling funds from the cafeteria fund to supplement central office and administrative salaries. This practice will be evaluated and prior to funds being used to cover salaries in the future we will seek school board approval of a new policy that outlines the processes for using school lunch funds in this capacity.*

Anticipated Completion Date: *Completed January 1, 2020*

### **FINDING 2019-003**

Contact Person Responsible for Corrective Action:

**Aaron Black, Superintendent**

Contact Phone Number:

**765-964-4994**

Views of Responsible Official:

**We Concur with the finding**

Description of Corrective Action Plan:

*For purchases that meet the small purchase procedures the cafeteria will order through the ESC Food Procurement Membership Co-Op. Purchasing through the Procurement Co-Op established the necessary controls related to the grant agreement and the small purchase procurement method of Procurement and Suspension and Debarment compliance requirement.*

Anticipated Completion Date: *Effective Immediately*

## 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/>.