

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

FEDERAL COMPLIANCE AUDIT REPORT
OF
SOUTH NEWTON SCHOOL CORPORATION
NEWTON 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	Marci Hall	01-01-17 to 12-31-20
Superintendent of Schools	K. Todd Rudnick Casey Hall	01-01-17 to 12-31-17 01-01-18 to 12-31-20
President of the School Board	Amanda Berenda	01-01-17 to 12-31-20



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

TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL
CORPORATION, NEWTON 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 South Newton 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 January 30, 2020, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a material weakness.

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

Compliance and Other Matters


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

South Newton School Corporation's Response to Findings

The School Corporation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

January 30, 2020, except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is February 25, 2020



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

TO: THE OFFICIALS OF THE SOUTH NEWTON SCHOOL CORPORATION, NEWTON COUNTY, INDIANA

Report on Compliance for the Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on the Major Federal Program

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of July 1, 2017 to June 30, 2019.

Report on Internal Control over Compliance

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002, that we consider to be a material weakness.

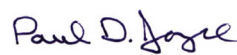
The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express 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 THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated January 30, 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.

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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.

SOUTH NEWTON 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	FY 17-18, FY 18-19	\$ -	\$ 82,741	\$ -	\$ 82,096
National School Lunch Program	Indiana Department of Education	10.555	FY 17-18, FY 18-19	-	267,593	-	237,448
School Lunch Program Commodities				-	30,567	-	39,358
Total - National School Lunch Program				-	298,160	-	276,806
Summer Food Service Program for Children	Indiana Department of Education	10.559	FY 17-18, FY 18-19	-	15,518	-	16,151
Summer Food Service Program				-	396,419	-	375,053
Total - Child Nutrition Cluster				-	396,419	-	375,053
Total - Department of Agriculture				-	396,419	-	375,053
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to State	Indiana Department of Education	84.027					
Special Ed Part B 611 FY2016			14216-049-PN01	-	142	-	-
Special Ed Part B 611 FY2017			14217-049-PN01	-	53,833	-	1,117
Special Ed Part B 611 FY2018			18611-049-PN01	-	168,856	-	60,476
Special Ed Part B 611 FY2019			19611-049-PN01	-	-	-	173,373
Total - Special Education Grants to States				-	222,831	-	234,966
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Ed Preschool Grant 619 FY2018			18619-049-PN01	-	4,452	-	9,058
Special Ed Preschool Grant 619 FY2019			19619-049-PN01	-	-	-	1,717
Special Ed Preschool Grant 619 FY2017			45717-049-PN01	-	8,563	-	-
Total - Special Education Preschool Grants				-	13,015	-	10,775
Total - Special Education Cluster (IDEA)				-	235,846	-	245,741

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Basic Grant			S010A160014	-	40,830	-	-
Title I Basic Grant			S010A170014	-	105,343	-	36,826
Title I Basic Grant			S010A180014	-	-	-	126,876
Total - Title I Grants to Local Educational Agencies				-	146,173	-	163,702
Rural Education	Indiana Department of Education	84.358					
Rural & Low Income FY18			S358B180014	-	-	-	7,740
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Improving Teacher Quality			S367A160013	-	26,832	-	9,092
Title II Improving Teacher Quality			S367A170013	-	1,100	-	20,600
Title II Improving Teacher Quality			S367A180013	-	-	-	1,100
Title II Improving Teacher Quality			S367A150013	-	5,668	-	-
Total - Supporting Effective Instruction State Grants				-	33,600	-	30,792
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A FY18			S424A180015	-	-	-	9,187
Total - Department of Education				-	415,619	-	457,162
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Family and Social Services Administration	93.778	2017-2018, 2018-2019	-	14,801	-	11,397
Total - Medicaid Cluster				-	14,801	-	11,397
Total - Department of Health and Human Services				-	14,801	-	11,397
Total federal awards expended				\$ -	\$ 826,839	\$ -	\$ 843,612

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

SOUTH NEWTON 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 a special education cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in 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.

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major program:	
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 Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified

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

Auditee qualified as low-risk auditee?	no
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Section II - Financial Statement Findings

FINDING 2019-001

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

Repeat Finding

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

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial transactions. The School Corporation had not established a system of internal control or separated incompatible activities related to receipts, disbursements, and other financing sources and uses.

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Receipts

The School Corporation did not have effective controls in place to ensure that receipts were properly recorded or that recorded receipts agreed to corresponding deposits. There was no documentation of an oversight or review process.

Disbursements

The School Corporation did not have effective controls in place to ensure that disbursements were properly recorded. There was no documentation of an oversight or review process.

Other Financing Sources and Uses

The School Corporation did not have effective controls in place to ensure that transfers from one fund to another were properly recorded. There was no documentation of an oversight or review process.

Criteria

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

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

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

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

Cause

Management of the School Corporation had not established a proper system of internal control that segregated key functions.

Effect

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

Views of Responsible Officials

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

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2019-002

Subject: Child Nutrition Cluster - Internal Controls
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: Program Income, Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

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 Program Income and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Program Income

The Treasurer made transfers from the Prepaid Lunch fund to the School Lunch fund based on income reports obtained from the food service software. There was no review or oversight to ensure that the correct amounts were transferred from the Prepaid Lunch fund to the School Lunch fund.

Paid Lunch Equity (National School Lunch Program only)

The Food Service Director entered the information into the Paid Lunch Equity worksheet to determine the paid lunch price increase requirements. There was no review or oversight to ensure that the correct amounts were entered into the worksheet.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal control to ensure compliance with the Program Income and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

SOUTH NEWTON SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control related to the grant agreement and Program Income and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

South Newton School Corporation
13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001 Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: The areas of concern are being addressed but due to limited staff internal controls and segregation of duties continue to be difficult.

Cash and Investments: The reconciliation of balances is prepared by the payroll manager and reviewed and signed off by the superintendent. The treasurer also reviews and signs the bank statements.

Receipts: The treasurer and payroll manager will continue to attempt to review deposits. Deposits are taken to the bank by either party. Most corporation deposits are made through EFT and deposits that are actually carried to the bank are very minimal. Due to our limited staff internal controls continue to be difficult to correct and we are continually striving to establish better controls.

Disbursements: The accounts payable process is completed by the treasurer. The vouchers for payment are prepared by the department head and presented to the treasurer for payment. Materials that are purchased using a purchase order are signed off by the party for receipt of materials and the treasurer verifies the amount to be paid. The voucher report is signed and approved by the school board. The payroll manager randomly selects, reviews and documents verification of monthly claims. Due to our limited staff internal controls continue to be difficult to correct and we are continually striving to establish better controls.

The payroll process is completed by the payroll manager. The treasurer reviews and signs off on the payroll edit document.

Financial Reporting: The Form 9 is completed by the treasurer and documentation is reviewed by the Superintendent and Board President and they sign the document they review along with what is submitted to DOE.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

Rebel Family – United We Grow

South Newton School Corporation
13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002 Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: The Schedule of Expenditures of Federal Awards (SEFA) is prepared by the treasurer and the superintendent is reviewing and signing and dating.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

Rebel Family – United We Grow

South Newton School Corporation
13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003 School Breakfast Program and National School Lunch Program - Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: Dual verification continues to reduce oversight.
Program Income – Bank deposit information is prepared and verified by different individuals and initialed for verification. The corporation treasurer also reviews and verifies documents and initials. Transfers were not reviewed in prior audit and internal controls need to be addressed on transfers from prepaid lunch to lunch account.

Special Tests and Provisions – Food service director verifies free/reduced applications and the head cook verifies and initials.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

Rebel Family – United We Grow

South Newton School Corporation
13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-004 School Breakfast Program and National School Lunch Program - Cash Management

Fiscal year in which the finding initially occurred: 2015
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Dept. of Education
Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: The superintendent, treasurer and food service director are continuing to monitor the cash balance in the school lunch fund to only contain an amount of three months of expenditures. The cash balance on 6-30-2017 was \$382,259.39 and the cash balance on 6-30-2019 was \$211,483.55. A multi-year plan has been established by the food service director. Reports of cash balance are reviewed by the superintendent, treasurer and food service director monthly.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

Rebel Family – United We Grow

South Newton School Corporation
13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005 School Breakfast Program and National School Lunch Program - Eligibility

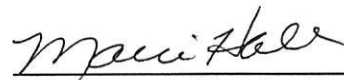
Fiscal year in which the finding initially occurred: 2015

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

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: Verification and controls have been implemented to more effectively retain proper documents and provide proof of requirements.

- Financial records and supporting documents were not properly retained. Our food service director is making every effort to retain all required documents since she took over in 2016.
- Entity must maintain effective internal controls over Federal awards. Controls have been established and continue to be improved as needed.
- Public announcement of eligibility criteria has been corrected and posted on our website.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

Rebel Family – United We Grow

South Newton School Corporation
13232 S 50 E
Kentland, IN 47951

Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006 **Child Nutrition Cluster - Equipment**

Fiscal year in which the finding initially occurred: 2017

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

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: We have tightened our procurement processes and continue to work on internal controls to manage and document equipment and property.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

Rebel Family – United We Grow

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Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007 **Child Nutrition Cluster – Suspension and Debarment**

Fiscal year in which the finding initially occurred: 2015

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

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: The treasurer checks the status of vendors for suspension and debarment in SAM.GOV.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

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Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

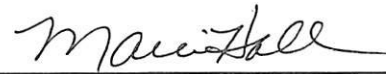
FINDING 2017-008 Child Nutrition Cluster – Reporting

Fiscal year in which the finding initially occurred: 2015

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

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Status of Audit Finding: The treasurer checks and signs the documents for verification.



(Signature)

Treasurer

(Title)

December 4, 2019

(Date)

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Casey Hall
Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however we are a small office and segregation of duties are difficult to meet in all areas and are not always feasible or practical. Procedures have been put in place since the prior audit finding 2017-001 but did not meet all the requirements.

Description of Corrective Action Plan: Our goal is to establish better controls as follows:

Receipts – The bank deposits are reviewed and initialed by a second party. All deposits are also reviewed during the reconciliation process and receipts are balanced with the bank on a monthly basis.

Disbursements – These are reviewed monthly on a random basis by a second party. Most vouchers are prepared by another party and reviewed and signed by the treasurer. Purchase orders are also signed by the receiving party and reviewed and initialed by the treasurer. The claim voucher is reviewed by the Superintendent and School Board. The voucher is signed by the school board after approval.

Other Financing Sources and Uses – Transfers are made after the school board approves a resolution to transfer funds. The treasurer prepares a voucher with the resolution attached and processes through the voucher cycle. The check is then deposited and receipted and the above procedures are followed.

Anticipated Completion Date: Immediately

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Superintendent

Kim Wright
Payroll & Personnel

Marci Hall
Treasurer

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Marci Hall
Contact Phone Number: 219-474-5184

Views of Responsible Official: We concur with the findings however we are a small office and segregation of duties are difficult to meet in all areas and are not always feasible or practical.

Description of Corrective Action Plan: Our goal is to establish better controls as follows:

Program Income – Every effort will be given for another person to review the transfers from prepaid lunch to the school lunch account and document such review.

Paid Lunch Equity – Every effort will be given for another person to review the PLE worksheet and document such review.

Anticipated Completion Date: Immediately

Rebel Family – United We Grow

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/>.