

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

SCHOOL TOWN OF SPEEDWAY

MARION 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 .....	10-11
Notes to Schedule of Expenditures of Federal Awards .....	12
Schedule of Findings and Questioned Costs .....	13-21
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings .....	24-29
Corrective Action Plan .....	30-33
Other Reports .....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nancy M. Johnson	01-01-17 to 12-31-20
Superintendent of Schools	Kenneth Hull Dr. Kyle Trebley	07-01-17 to 06-30-19 07-01-19 to 06-30-22
President of the School Board	Dr. Terry Reed Luke Bickel Laura Daghe	01-01-17 to 12-31-17 01-01-18 to 12-31-19 01-01-20 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 SCHOOL TOWN OF SPEEDWAY, MARION 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 School Town of Speedway (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 7, 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

January 7, 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 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 SCHOOL TOWN OF SPEEDWAY, MARION COUNTY, INDIANA

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

As described in item 2019-001 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with Child Nutrition Cluster regarding Program Income. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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)

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

In our opinion, except for the possible effects of the matter 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 the 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 items 2019-003 and 2019-004. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-003, and 2019-004 to be material weaknesses.


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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2019-002 to be a significant deficiency.

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 January 7, 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.

SCHOOL TOWN OF SPEEDWAY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY2018	\$ -	\$ 117,319	\$ -	\$ -
School Breakfast Program			FY2019	-	-	-	109,739
Total - School Breakfast Program				-	117,319	-	109,739
National School Lunch Program							
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY2018	-	526,432	-	-
National School Lunch Program			FY2019	-	-	-	532,685
National School Lunch Program Commodities			FY2018	-	65,845	-	-
National School Lunch Program Commodities			FY2019	-	-	-	64,255
Total - National School Lunch Program				-	592,277	-	596,940
Summer Food Service Program For Children							
Summer Food Service Program For Children	Indiana Department of Education	10.559					
Summer Food Service Program For Children			FY2018	-	7,163	-	-
Summer Food Service Program For Children			FY2019	-	-	-	5,979
Total - Summer Food Service Program For Children				-	7,163	-	5,979
Total - Child Nutrition Cluster				-	716,759	-	712,658
Total - Department of Agriculture				-	716,759	-	712,658
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B 611			14217-120-PN01	-	60,523	-	-
Special Education Part B 611			18611-120-PN01	-	325,389	-	96,759
Special Education Part B 611			19611-120-PN01	-	-	-	303,731
Total - Special Education Grants to States				-	385,912	-	400,490
Special Education Preschool Grants							
Special Education Preschool 619	Indiana Department of Education	84.173					
Special Education Preschool 619			19619-120-PN01	-	-	-	6,795
Special Education Preschool 619			18619-120-PN01	-	6,143	-	-
Total - Special Education Preschool Grants				-	6,143	-	6,795
Total - Special Education Cluster (IDEA)				-	392,055	-	407,285

SCHOOL TOWN OF SPEEDWAY  
 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			S010A160014	-	77,500	-	-
Title I			S010A170014	-	431,243	-	81,515
Title I			S010A180014	-	-	-	381,124
Total - Title I Grants to Local Educational Agencies				-	508,743	-	462,639
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			S365A160014	-	348	-	-
Title III			S365A170014	-	37,688	-	-
Title III			S365A180014	-	-	-	42,018
Title III Immigrant Influx			S365A180014	-	-	-	10,179
Total - English Language Acquisition State Grants				-	38,036	-	52,197
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A170013	-	67,199	-	-
Title II Part A			S367A180013	-	-	-	65,310
Total - Supporting Effective Instruction State Grants				-	67,199	-	65,310
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A			S424A180015	-	-	-	32,773
Total - Department of Education				-	1,006,033	-	1,020,204
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid Administrative Claiming			FY2018	-	20,942	-	-
Medicaid Administrative Claiming			FY2019	-	-	-	19,179
Total - Medical Assistance Program				-	20,942	-	19,179
Total - Medicaid Cluster				-	20,942	-	19,179
Total - Department of Health and Human Services				-	20,942	-	19,179
Total federal awards expended				\$ -	\$ 1,743,734	\$ -	\$ 1,752,041

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

SCHOOL TOWN OF SPEEDWAY  
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.

SCHOOL TOWN OF SPEEDWAY  
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?	yes
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 Special Education Cluster (IDEA) Title I Grants to Local Educational Agencies	Qualified Unmodified 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: Child Nutrition Cluster - Program Income  
 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): FY2018, FY2019  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirement: Program Income  
 Audit Findings: Material Weakness, Modified Opinion

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-004.

*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 compliance requirement.

The School Corporation had not designed or implemented adequate controls to ensure program income was correctly recorded. The School Corporation utilized a single fund, the School Lunch fund, to record all receipts from sales including prepayments for a significant portion of the audit period. The School Corporation established the Prepaid School Lunch fund in November 2018.

There were no comparisons or reviews of total daily, weekly, or monthly program income from meals served reports to ensure only income for meals served was recorded as program income. There also were no point-of-sale reports, or other documentation, presented to support the program income recorded. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

*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). . . ."

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, which may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . ."

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to Fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from Fund 8400 using expenditure account 31900 Other Food Services and receipt this into Fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of Fund 8400 be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

2 CFR 200.302(a) states in part:

"Each state must expend and account for the Federal award in accordance with state laws and procedures for expending and accounting for the state's own funds. In addition, the state's and the other non-Federal entity's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest, and be supported by documentation."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

The failure to design and implement an internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Program Income compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management design and implement controls to ensure compliance with and retention of documentation related to the grant agreement and the Program Income compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2019-002**

Subject: Child Nutrition Cluster - Cash Management  
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): FY2018, FY2019  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Significant Deficiency

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-003.

*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 Cash Management compliance requirement.

The School Corporation had not established controls to verify if cash resources exceeded three months average expenditures.

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

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a proper system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and to comply with both the grant agreement and the Cash Management compliance requirement.

*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: 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 (or other Identifying Numbers): 14217-120-PN01, 18611-120-PN01,  
19611-120-PN01, 18619-120-PN01,  
19619-120-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*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 Procurement and Suspension and Debarment compliance requirement.

During fiscal year 2017-2018, the School Corporation did not require that an adequate number of quotes or bids be obtained for small purchases with estimated costs above \$3,500. Two procurements of like-kind items examined, which exceeded \$3,500 annually, were made without obtaining an adequate number of price or rate quotations.

The School Corporation did not have a procedure in place to determine if a vendor, who exceeded \$25,000 in aggregate disbursements, was suspended or debarred. All four contracts tested did not include evidence that the contracted vendor was not suspended or debarred.

The lack of controls was a systemic issue which occurred through the audit period. The noncompliance related to procurement was isolated to 2017-2018. The noncompliance related to suspension and debarment was a systemic issue 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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . .

- (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 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. . . ."

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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*

Management had not developed a system of internal controls that would have ensured compliance with 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 Procurement and Suspension and Debarment requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment requirement.

*Views of Responsible Officials*

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

**FINDING 2019-004**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Federal Agency: Indiana 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, S010A180014

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Findings: Material Weakness, Other Matters

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

The School Corporation had not designed or implemented adequate controls to ensure compliance with the requirements related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did retain written documentation to support the students' removal from the cohort when removed from the high school cohort graduation rate for mobility reasons. However, the documentation retained was not proper to support compliance with the requirement.

The lack of controls and noncompliance 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). . . ."

34 CFR 200.19(b)(1)(ii)(B) states in part:

"To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased. (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

SCHOOL TOWN OF SPEEDWAY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

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

# SPEEDWAY PUBLIC SCHOOLS

5335 West 25th Street  
SPEEDWAY, IN 46224

## BOARD OF TRUSTEES

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MR. WILLIAM B. HARTING  
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MR. LUKE A. BICKEL  
Member

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Assistant  
Superintendent

LUCAS W. ZARTMAN  
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Speedway High School

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Elementary School

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Director of Exceptional  
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Carl G. Fisher  
Elementary School

TRENTON S. BOROM  
Director of Student  
Services  
Howard J. Lacy II  
Speedway High School

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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

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: Nancy Johnson, Corporation Treasurer

Contact Phone Number: (317) 244-0236

Status of Audit Finding: Corrected and submitted all SEFA's on October 10, 2018 and 2019  
SEFA submitted correctly

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

Fiscal year in which the finding initially occurred: 2015  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

Status of Audit Finding: Corrected for the filing of the 2017-18 Final Expenditure Report

RICK C. ROSEBROUGH  
Principal  
Speedway Junior  
High School

SHANE W. GROVE  
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Services  
Howard J. Lacy II  
Speedway High School

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

Fiscal year in which the finding initially occurred: 2015

Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer

Contact Phone Number: (317) 244-0236

Status of Audit Finding: Noncompliance corrected on November 28, 2018; control over cash management to be implemented in March, 2020

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### ***FINDING 2017-004***

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

RICK C. ROSEBROUGH  
Principal  
Speedway Junior  
High School

Status of Audit Finding: Fund 8400 Prepaid School Lunch Account established November 28, 2018

SHANE W. GROVE  
Assistant Principal  
Speedway Junior  
High School

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## *FINDING 2017-005*

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

Status of Audit Finding: Corrected beginning with the 2018 school year

# SPEEDWAY PUBLIC SCHOOLS

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## ***FINDING 2017-006***

Fiscal year in which the finding initially occurred: 2017  
Pass-Through Entity: Indiana Department of Education  
Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

Status of Audit Finding: Corrected with the report filed for the 2017-18 school year

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## CORRECTIVE ACTION PLAN

### **FINDING 2019-001**

Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

Views of Responsible Official: Fund 8400 Prepaid School Lunch Account was established on November 28, 2018. The monthly reconciliation of the 8400 fund was completed and monthly sales activity reports are kept to support the fund.

Description of Corrective Action Plan: Corrected November 28, 2018

Anticipated Completion Date: Completed

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## *FINDING 2019-002*

Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

Views of Responsible Official: The School Corporation limited its net cash resources to an amount that did not exceed 3 month's average expenditures for its nonprofit school food service, and beginning in March, 2020 will have the Board of School Trustees review and approve the School Lunch Fund cash balance

Description of Corrective Action Plan: The Board of School Trustees will review and approve School Lunch Fund Reports beginning with the Board meeting held on March 10, 2020

Anticipated Completion Date: March 10, 2020

# SPEEDWAY PUBLIC SCHOOLS

5335 West 25th Street  
SPEEDWAY, IN 46224

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### **FINDING 2019-003**

Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

Views of Responsible Official: The contracts signed by the Occupational Therapist, Physical Therapist, etc... were not sent out for quotes, as these consultants are paid on an hourly basis and the hourly amount is set by the School Corporation.

Description of Corrective Action Plan: The School Corporation will obtain quotes for a vendor which we will spend more than \$10,000 per year and insert a clause in the contract signed stating that the vendor is not suspended or debarred

Anticipated Completion Date: 2020-2021 School year

# SPEEDWAY PUBLIC SCHOOLS

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### ***FINDING 2019-004***

Contact Person Responsible for Corrective Action: Nancy Johnson, Corporation Treasurer  
Contact Phone Number: (317) 244-0236

Views of Responsible Official: One elementary school in the Corporation did not have follow up documentation when a student withdrew from that school

Description of Corrective Action Plan: The elementary school will retain adequate documentation for the removal of a student from the School Corporation

Anticipated Completion Date: Corrected February 3, 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/>.