

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

NORTH WHITE SCHOOL CORPORATION

WHITE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/19/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shellie Ruemler Emma Conwell	07-01-17 to 06-30-18 07-01-18 to 06-30-20
Superintendent of Schools	Dr. Teresa Gremaux Dr. Robert Klitzman Nicholas G. Eccles	07-01-17 to 06-30-19 07-01-19 to 11-21-19 11-21-19 to 06-30-20
President of the School Board	Brian Pogue James White	01-01-17 to 12-31-17 01-01-18 to 12-31-19



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 NORTH WHITE SCHOOL CORPORATION, WHITE 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 North White 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 December 19, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters

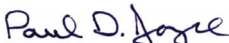
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001.

North White 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

December 19, 2019, except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is February 20, 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 NORTH WHITE SCHOOL CORPORATION, WHITE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002, 2019-003, 2019-004, and 2019-005. 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.

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 2019-002 and 2019-003 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2019-004 and 2019-005 to be significant deficiencies.

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.

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)

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 December 19, 2019, 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
Paul D. Joyce, CPA
State Examiner

February 20, 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.

NORTH WHITE 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
Rural Education	Indiana Department of Education	84.358					
RURAL & LOW INCOME SCHOOL 2015-2017			FY 2015	-	6,195	-	-
RURAL & LOW INCOME SCHOOL 2016-2018			FY 2016	-	18,047	-	-
RURAL & LOW INCOME SCHOOL 2018-2019			FY18	-	-	-	5,345
RURAL & LOW INCOME SCHOOL 2018-2020			FY19	-	-	-	6,603
Total - Rural Education				-	24,242	-	11,948
English Language Acquisition State Grants	Indiana Department of Education	84.365					
TITLE III 2016-2017			2016-2017	-	27,896	-	-
TITLE III 2016-2017			2017-2018	-	700	-	-
TITLE III 2017-2019			FY17	-	-	-	13,599
TITLE III 2018-2020			FY18	-	-	-	13,926
Total - English Language Acquisition State Grants				-	28,596	-	27,525
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
TITLE II-PART A 2016-2018			FFY16	-	32,556	-	-
TITLE II-PART A 2016-2018			FFY16	-	-	-	10,743
TITLE II-PART A 2015-2017			FFY2015	-	15,167	-	-
TITLE II 2018-2020			FY18	-	-	-	2,131
TITLE II FY17 2017-2018			FY17	-	-	-	26,852
Total - Supporting Effective Instruction State Grants				-	47,723	-	39,726
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
TITLE IV PART A			S424A170015	-	4,270	-	-
TITLE IV PART A			S424A170015	-	-	-	38,506
Total - Student Support and Academic Enrichment Grants				-	4,270	-	38,506
Total - Department of Education				-	663,286	-	650,514
Department of Health and Human Services							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid			2017/18; 2018/19	-	6,871	-	2,598
Total - Medicaid Cluster				-	6,871	-	2,598
Total - Department of Health and Human Services				-	6,871	-	2,598
Total federal awards expended				\$ -	\$ 1,069,144	\$ -	\$ 1,040,227

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

NORTH WHITE 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 and serves as the fiscal agent for it. As a result, some activity for the Special Education Cluster (IDEA) that is presented as receipts and disbursements in the financial statement is not presented on the SEFA for the School Corporation. This activity is reported on the SEFA of the member school corporations where appropriate.

NORTH WHITE 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?	yes

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:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Condition and Context

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA.

Due to the lack of effective internal controls, the SEFA presented for audit contained the following errors:

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

1. The School Breakfast Program expenditures were overstated by \$20,960 as of June 30, 2019.
2. The School Lunch Program expenditures were understated by \$49,943 as of June 30, 2019.
3. The Supporting Effective Instruction State Grants expenditures were understated by \$7,591 as of June 30, 2019.
4. The Rural Education program expenditures were understated by \$6,603 as of June 30, 2019.
5. The Student Support and Academic Enrichment Program expenditures were overstated by \$1,750 as of June 30, 2018, and understated by \$8,750 as of June 30, 2019.
6. The English Language Acquisition State Grants expenditures were understated by \$13,926 as of June 30, 2019.
7. Several federal programs did not have the correct program title.

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

Criteria

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

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

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

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

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

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

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remain undetected. The SEFA contained the errors identified in the *Condition and Context*.

Views of Responsible Officials

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

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 2018, FY 2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
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 Cash Management compliance requirement.

The School Corporation did not have effective controls in place to ensure that the three months average expenditures were calculated for comparison to monthly cash balances, or to verify that the comparison was performed for both school years.

The School Corporation did not comply with the cash management requirement that cash balances (net cash resources) be limited to three months average expenditures. The School Lunch fund monthly net cash resources exceeded three months average expenditures during the audit period. The School Corporation established a plan to reduce cash balances; however, this plan was not followed or revised.

The lack of controls and noncompliance were systemic issues throughout the audit period. The School Lunch fund monthly net cash resources exceeded the 3 months average expenditures for 10 of the 24 months in the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(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(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Cash Management compliance requirement could have resulted in the loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply with 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.

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Number: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2018, FY 2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Program Income
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 following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income.

The School Corporation had not designed or implemented adequate internal controls to ensure that payroll disbursements were for only food service operating costs and that the supporting documentation agreed with the payroll disbursements recorded as food service operating costs.

The School Corporation included percentages of salaried personnel's wages as food service operating costs in the School Lunch fund. There were time cards for these individuals, but the time spent on food service activities did not always reflect amounts paid from the School Lunch fund. Compensation for these positions charged to the School Lunch fund totaled \$16,235 for fiscal year 2018-2019.

The lack of controls was a systemic issue throughout the audit period. The noncompliance occurred in 2018-2019.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

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

(g) Be adequately documented. . . ."

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

2 CFR 200.307(e)(2) states: "With prior approval of the Federal awarding agency . . . program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award."

7 CFR 210.14(a) states in part: ". . . Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. . . ."

7 CFR 220.7(e)(1) states in part: "(ii) . . . use all revenues received by such food service only for the operation or improvement of that food service . . ."

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements listed above could have resulted in the loss of funds to the School Corporation.

Questioned Costs

Known questioned costs of \$16,235 were identified in the *Condition and Context*.

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, 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 2019-004

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Special Education_Grants to States
CFDA Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 14217-049-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Significant Deficiency, 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 Allowable Costs/Cost Principles compliance requirement.

The special education cooperative (Cooperative) requested reimbursement from the School Corporation, as a member school of the Cooperative, for payroll costs related to speech therapist services at the School Corporation. Personnel activity reports or equivalents were not maintained for the portion of the speech therapists' salaries and related costs paid from the grant. The Cooperative paid each member school corporation based on its grant budgets for speech therapists, which did not properly document time attributable to the grant. The total expenditures that were reimbursed to the cooperative without proper supporting documentation was \$2,094.

This is an isolated instance related to grant award 14217-049-PN01 for fiscal year 2017-2018.

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). . . ."

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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: . . .

(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. . . ."

Cause

Management had not developed a system of internal control that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of funds to the School Corporation.

Questioned Costs

Known questioned costs of \$2,094 were identified in the *Condition and Context*.

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply with the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-005

Subject: Special Education Cluster (IDEA) - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 14217-049-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Significant Deficiency, 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 earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

The special education cooperative (Cooperative) requested reimbursement from the School Corporation, as a member school of the Cooperative, for payroll costs related to speech therapist services at the School Corporation. Personnel activity reports or equivalents were not maintained for the portion of the speech therapists' salaries and related costs paid from the grant. The Cooperative paid each member school corporation based on its grant budgets for speech therapists, which did not properly document time attributable to the grant. The amounts expended for non-public schools was not determinable.

This is an isolated instance related to grant award 14217-049-PN01 for fiscal year 2017-2018.

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). . . ."

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: . . .

(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:

NORTH WHITE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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. . . ."

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

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

Cause

Management had not developed a system of internal control that would have ensured compliance with the earmarking requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the earmarking requirements could have resulted in the loss of funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal control to ensure compliance and comply with the Matching, Level of Effort, Earmarking 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.



NORTH WHITE SCHOOL CORPORATION

Mr. Nicholas G. Eccles - Superintendent

Mr. W. Dean Cook - Dir of Trans/Bdgs/Grnds

Mrs. Emma Conwell - Treasurer

Mrs. Karen Pfladderer - Corporation Secretary

Mrs. MariAnne Rowlands - Transportation Secretary

402 E Broadway St - Monon, Indiana 47959 - (219) 253-6618 - Fax (219) 253-6488

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001 - Child Nutrition Cluster - Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Fiscal year in which the finding initially occurred: 7/1/2015 - 6/30/2017

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

Contact Person Responsible for Corrective Action: Anita Messer, Food Service Director

Contact Phone Number: 219-253-6618

Status of Audit Finding: The Food Service Director has kept all Free and Reduced lunch applications in a secure location. The Food Service Director makes sure all verifications of the free and reduced lunch applications are completed and kept in a secure location.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002 - CHILD NUTRITION CLUSTER - PROCUREMENT AND SUSPENSION AND DEBARMENT

Fiscal year in which the finding initially occurred: 07/1/2015-06/30/2017

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

Contact Person Responsible for Corrective Action: Anita Messer, Food Service Director

Contact Phone Number: 219/253-6638

Status of Finding:

The Food Service Director has ensured that all vendors provide proof of status with Suspension and Debarment. She has done this by checking vendors through using SAM exclusions, and has obtained certification from vendors. The Food Service Director uses the HPS system for procurement of all school food purchasing.



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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003 – CHILD NUTRITION CLUSTER – REPORTING

Fiscal year in which the finding initially occurred: 07/1/2015-06/30/2017

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

Contact Person Responsible for Corrective Action: Anita Messer, Food Service Director

Contact Phone Number: 219/253-6638

Status of Finding:

The Food Service Director has ensured that the Corporation Treasurer is given a copy of the Annual Financial Report and the Corporation Treasurer verified it for accuracy. The Food Service Director and the Corporation Treasurer both signed and reviewed the monthly claim for reimbursement. The Food Service Director gave the cafeteria manager a copy of the Verification Summary report to verify for accuracy.



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CORRECTIVE ACTION PLAN

FINDING 2019-001 – Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Emma Conwell, Treasurer
Contact Phone Number: 219-253-6618

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

After preparing the SEFA (Schedule of Expenditures of Federal Awards), the Corporation Treasurer will have the Corporation Deputy Treasurer verify the report and all of the financial information that the Corporation Treasurer used to compile the SEFA.

Anticipated Completion Date: June 1, 2020



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CORRECTIVE ACTION PLAN

FINDING 2019-002 – Internal Controls

Contact Person Responsible for Corrective Action: Aleta Clark, Food Service Director
Contact Phone Number: 219-253-6618

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will give the Food Service Director monthly reports of expenditures, receipts, and cash balances. The Food Service Director will compile those figures into a spreadsheet that will allow the Food Service Director to monitor the three month average expenditure balance to the ending cash balance. The Food Service Director will have a plan in place in the event that the three month expenditure balance would exceed the cash balance.

Anticipated Completion Date: June 1, 2020



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CORRECTIVE ACTION PLAN

FINDING 2019-003-Child Nutrition Cluster – Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income

Contact Person Responsible for Corrective Action: Emma Conwell, Treasurer
Contact Phone Number: 219-253-6618

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

The Corporation Treasurer will monitor salaried personnel wages being paid from the School Lunch Fund. The Corporation Treasurer will verify that the reported hours were for School Lunch activities.

Anticipated Completion Date: June 1, 2020



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CORRECTIVE ACTION PLAN

FINDING 2019-004 – Special Education Cluster (IDEA) – Allowable Cost/Cost Principles

Contact Person Responsible for Corrective Action: Emma Conwell, Treasurer
Contact Phone Number: 219-253-6618

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

We are in the process of developing an internal controls policy with the Special Education Cooperative in order to avoid non-compliance.

Anticipated Completion Date: June 1, 2020



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CORRECTIVE ACTION PLAN

FINDING 2019-005 – Special Education Cluster (IDEA) – Earmarking

Contact Person Responsible for Corrective Action: Emma Conwell, Treasurer
Contact Phone Number: 219-253-6618

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan:

We are in the process of developing an internal controls policy with the Special Education Cooperative in order to avoid non-compliance.

Anticipated Completion Date: June 1, 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/>.