

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

FEDERAL COMPLIANCE AUDIT REPORT
OF
NORTHEASTERN WAYNE SCHOOL CORPORATION
WAYNE COUNTY, INDIANA
July 1, 2017 to June 30, 2019



FILED
03/24/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kay Reed Trisha Thomas	07-01-17 to 06-30-19 07-01-19 to 06-30-20
Superintendent of Schools	Laura Blessing	07-01-17 to 06-30-22
President of the School Board	Brad Hester Ben Austerman Keith Webster	07-01-17 to 12-31-17 01-01-18 to 03-31-18 04-01-18 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 NORTHEASTERN WAYNE SCHOOL
CORPORATION, WAYNE 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 Northeastern Wayne 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 March 2, 2020, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

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

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

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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.

Northeastern Wayne 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

March 2, 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 NORTHEASTERN WAYNE SCHOOL CORPORATION, WAYNE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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

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.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2019-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003, that we consider to be material weaknesses.


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 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 March 2, 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

March 2, 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.

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education						
School Breakfast Program		10.553	FY 2017-2018	\$ -	\$ 47,425	\$ -	\$ -
School Breakfast Program			FY 2018-2019	-	-	-	48,343
Total - School Breakfast Program				-	47,425	-	48,343
National School Lunch Program							
National School Lunch Program	Indiana Department of Education						
National School Lunch Program		10.555	FY 2017-2018	-	260,765	-	-
National School Lunch Program			FY 2018-2019	-	-	-	265,271
Commodities			FY 2017-2018	-	41,970	-	-
Commodities			FY 2018-2019	-	-	-	40,826
Total - National School Lunch Program				-	302,735	-	306,097
Total - Child Nutrition Cluster				-	350,160	-	354,440
Total - Department of Agriculture				-	350,160	-	354,440
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States							
FY2017 Federal Part B 611	Indiana Department of Education	84.027	14217-011-PN01	-	206,551	-	66
FY2018 Federal Part B 611			18611-011-PN01	-	100,778	-	223,682
FY2019 Federal Part B611			19611-011-PN01	-	-	-	117,632
Total - Special Education Grants to States				-	307,329	-	341,380
Special Education Preschool Grants							
FY2018 Federal PreSchool 619 Grant	Indiana Department of Education	84.173	18619-011-PN01	-	3,397	-	2,577
FY2019 Federal Pre School 619 Grant			19619-011-PN01	-	-	-	5,176
FY2017 Federal Pre School 619 Grant			45717-011-PN01	-	5,836	-	-
Total - Special Education Preschool Grants				-	9,233	-	7,753
Total - Special Education Cluster (IDEA)				-	316,562	-	349,133
Title I Grants to Local Educational Agencies							
2018 Title 1	Indiana Department of Education	84.010	S010A170014	-	194,628	-	92,246
2019 Title 1			S010A180014	-	-	-	158,705
2017 Title 1			S010A160014	-	98,439	-	-
Total - Title I Grants Local Educational Agencies				-	293,067	-	250,951

NORTHEASTERN WAYNE 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						
Rural Low Income		84.358	S358B0180014	-	-	-	22,579
Rural Low Income			S358B0160014	-	29,423	-	-
Rural Low Income			S358B0170014	-	-	-	21,835
Total - Rural Education				-	29,423	-	44,414
Supporting Effective Instruction State Grants	Indiana Department of Education						
2018 Title 11		84.367	S367A160013	-	27,516	-	-
2019 Title II			S367A170013	-	-	-	38,971
Total - Supporting Effective Instruction State Grants				-	27,516	-	38,971
Total - Department of Education				-	666,568	-	683,469
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education						
Medicaid		93.778	FY 2017-2018	-	11,210	-	-
Medicaid			FY 2017-2018	-	-	-	14,986
Total - Medical Assistance Program				-	11,210	-	14,986
Total - Medicaid Cluster				-	11,210	-	14,986
Total - Department of Health and Human Services				-	11,210	-	14,986
Total federal awards expended				\$ -	\$ 1,027,938	\$ -	\$ 1,052,895

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

NORTHEASTERN WAYNE SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

Note 3. Special Education Cooperative

The School Corporation is a member of the East Central Indiana Special Services Cooperative (Cooperative) which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

NORTHEASTERN WAYNE 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?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

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

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

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-002.

NORTHEASTERN WAYNE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared and entered the federal award information into Gateway without evidence of a control in place to prevent, or detect and correct, errors prior to submission.

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$350,160 and \$40,826 for the periods ending June 30, 2018 and 2019, respectively. The Child Nutrition Cluster was omitted for the fiscal year 2017-2018.
2. The Special Education Cluster (IDEA) expenditures were overstated by \$30,600 for the period ending June 30, 2018.
3. The Supporting Effective Instruction State Grants expenditures were overstated by \$24,498 for the period ending June 30, 2018.
4. The Title I Grants to Local Educational Agencies expenditures were overstated by \$196,727,451 for the period ending June 30, 2019.
5. The Rural Education grant expenditures were overstated by \$2,609 for the period ending June 30, 2019.
6. The Medical Assistance Program expenditures were understated by \$11,210 and \$14,986 for the periods ending June 30, 2018 and 2019, respectively.
7. Not all CFDA numbers, program names, grants, and identifying numbers were correct or listed.

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.

NORTHEASTERN WAYNE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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. . . ."

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."

NORTHEASTERN WAYNE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go 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 - Cash Management
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 2017-2018, FY 2018-2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Finding: Material Weakness

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 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 designed or implemented adequate policies or procedures to ensure that the School Lunch fund monthly cash balances (net cash resources) did not exceed three months average expenditures.

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

NORTHEASTERN WAYNE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirement listed above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2019-003

Subject: Child Nutrition Cluster - Procurement

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 2017-2018, FY 2018-2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

NORTHEASTERN WAYNE SCHOOL CORPORATION
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 2017-007.

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.

The School Corporation did not obtain bids for vendors with total purchases exceeding \$150,000, an amount for which Indiana Code required that a formal bidding process be followed. Purchases were not procured in accordance with state policies and procedures. No contracts were signed with the vendors.

The lack of controls and noncompliance were systemic issues 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(a) states: "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."

Indiana Code 5-22-7-1 states: "A purchasing agent shall follow the procedure described in this chapter in awarding a contract for supplies, unless another purchasing method is required or authorized by this article."

Indiana Code 5-22-7-2(a) states: "A purchasing agent shall issue an invitation for bids."

Cause

The School Corporation's management had not developed a system of internal controls to ensure compliance with the grant agreement and the compliance requirement listed above.

NORTHEASTERN WAYNE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the compliance requirement listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

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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.



NORTHEASTERN WAYNE SCHOOL CORPORATION

Dr. Laura Blessing, Superintendent
Mr. Eric S. Green, Assistant Superintendent
Mrs. Rachel Bales, Corporation HR Coordinator
Mrs. Trisha Thomas, Corporation Treasurer
Mrs. Vanessa Curtis, Corporation Registrar

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: FY 2011-12

Contact Person Responsible for Corrective Action: Corporation Treasurer

Contact Phone Number: 765-847-2821

Status of Audit Finding: Currently, the corporation treasurer collects and receipts the money. The human resources assistant initials the deposit tickets and takes it to the bank. For ACH deposits, the treasurer receives an email notification, then receipts the amount, posts it. Finally she reconciles on bank statement and assistant superintendent signs off on bank statement.

FINDING 2017-002

Preparation of the Schedule of Expenditures of Federal Awards

Fiscal year in which the finding initially occurred: FY 2013-14

Contact Person Responsible for Corrective Action: Corporation Treasurer

Contact Phone Number: 765-847-2821

Status of Audit Finding: Complete, the treasurer completes SEFA report, superintendent or designee signs off on report that is uploaded into Gateway.

FINDING 2017-003

Child Nutrition Cluster - Cash Management

Fiscal year in which the finding initially occurred: FY 2013-14

Pass-Through Entity, if pass-through: Indiana Department of Education

Contact Person Responsible for Corrective Action: Corporation Treasurer

Contact Phone Number: 765-847-2821

Status of Audit Finding: Still working on compliance. Fund balances are monitored monthly. Attempts made to reduce net cash resources include large kitchen/dining equipment purchases, staff salary increases, and kitchen remodeling. At the time of the audit we were running 4 to 5 months worth of average expenses.

FINDING 2017-004

Child Nutrition Cluster-Equipment

Fiscal year in which the finding initially occurred: FY 2015016

Pass-Through Entity, if pass-through: Indiana Department of Education

Contact Person Responsible for Corrective Action: Assistant Superintendent

Contact Phone Number: 765-847-2821

Status of Audit Finding: A capital asset inventory was conducted during 2019.



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FINDING 2017-005

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

Fiscal year in which the finding initially occurred: FY 2015-16
Pass-Through Entity, if pass-through: Indiana Department of Education
Contact Person Responsible for Corrective Action: Elementary School Treasurer
Contact Phone Number: 765-847-2595

Status of Audit Finding: The elementary school treasurer verifies all household income for free/reduced applications for compliance with eligibility criteria including overtime calculations. The elementary principal or designee will review and sign-off on all free/reduced applications.

FINDING 2017-006

Child Nutrition Cluster - Eligibility

Fiscal year in which the finding initially occurred: FY 2015-16
Pass-Through Entity, if pass-through: Indiana Department of Education
Contact Person Responsible for Corrective Action: Elementary School Treasurer
Contact Phone Number: 765-847-2595

Status of Audit Finding: School meal and eligibility information is posted and accessible through each school website. Provided a copy of what is available.

FINDING 2017-007

Child Nutrition Cluster-Procurement and Suspension and Debarment

Fiscal year in which the finding initially occurred: FY 2011-12
Pass-Through Entity, if pass-through: Indiana Department of Education
Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: 765-847-2591

Status of Audit Finding:

At the beginning of the school year prior to accepting bids, SAM's report were run on each vendor. SAM documents are in the file with each bid.



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FINDING 2017-008

Child Nutrition Cluster-Reporting

Fiscal year in which the finding initially occurred: FY2011-12
Pass-Through Entity, if pass-through: Indiana Department of Education
Contact Person Responsible for Corrective Action:
Contact Phone Number:

Status of Audit Finding:

The Food Director prepares monthly reports and sponsor claims. The superintendent reviews the number of meals claimed on each activity report and then verifies that deposits match the activity report and initials report.

FINDING 2017-009

Special Education Cluster (IDEA) - Level of Effort - Maintenance of Effort

Fiscal year in which the finding initially occurred: FY2015-16
Pass-Through Entity, if pass-through: Indiana Department of Education
Contact Person Responsible for Corrective Action: Superintendent/Corporation Treasurer
Contact Phone Number:765-847-2821

Status of Audit Finding:

Calculations of MOE were provided for 17-18 and 18-19 MOE (see attached documents). A percentage is calculated from the projected special education student totals. Portions of nursing, administrative, bus drivers, and transportation costs are calculated by taking total costs and multiplying by special education student percentage.

FINDING 2017-010

Special Education Cluster (IDEA) Allowable Costs/Cost Principles

Fiscal year in which the finding initially occurred: FY 2013-14
Pass-Through Entity, if pass-through: Indiana Department of Education
Contact Person Responsible for Corrective Action: Director of Special Education
Contact Phone Number:

Status of Audit Finding:

For cooperative staff, both Special Services staff and Director sign the semi-annual certification forms for internal control purposes. Those forms are kept on file in the special education office. A spreadsheet in the financial packet that is presented at each governing board meeting that includes verification that the semi-annual certification and time and effort reporting have been completed.



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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: Corporation Treasurer/Trisha Thomas
Contact Phone Number: 765-847-2821

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Treasurer created a SEFA spreadsheet (with separate tabs for each current Federal Grant) on it. The spreadsheet will contain the following information:

- Local Project Name (in our system)
- Federal Program Name (from the Beta.Sam.Gov website)
- CFDA Number
- Award Name
- Award Number
- Fund Number
- Receipts/Disbursements

These worksheets will be maintained so treasurer can transfer the information onto the SEFA each year. The treasurer will do the SEFA and superintendent will sign-off.

Anticipated Completion Date: January 2020

FINDING 2019-002 Child Nutrition Cluster- Cash Management

Contact Person Responsible for Corrective Action: Corporation Treasurer and Food Service Director
Contact Phone Number: 765-847-2821

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Each Month, the corporation treasurer and food service director will sign-off on the fund report, account 800 School Lunch Fund.

To ensure the fund does not exceed the three-month average expenditures, total Fiscal Year Expenditures (\$\$\$\$)/Number of operating Months (10) = Average Monthly Expenditures (\$\$\$) * 3 Months = 3 Months Average Expenditures

Anticipated Completion Date: July 30, 2019

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FINDING 2019-003 Child Nutrition Cluster-Procurement

Contact Person Responsible for Corrective Action: Director of Food Service
Contact Phone Number:765-847-2591

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Director of food service will advertise bids and seek board approval beginning December 2018 for food vendors. Board approval will document internal control. The bid advertisement and bid documentation will be maintained for audit.

Prior to a purchase, Food Service Director conducts a SAM search. Results of the SAM search is attached to the purchase order and requisition that are prepared by the Food Service Director. The corporation treasurer reviews and signs off on this procedure.

Anticipated Completion Date: December 2018

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/>.