

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

FEDERAL COMPLIANCE AUDIT REPORT  
OF

NORTHWESTERN CONSOLIDATED  
SCHOOL DISTRICT OF SHELBY COUNTY  
SHELBY COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/25/2020



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards .....	12
Schedule of Findings and Questioned Costs .....	13-18
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings .....	20-22
Corrective Action Plan .....	23-25
Other Reports .....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Laura Mullen Tammy Achenbach	01-01-17 to 10-31-19 11-01-19 to 12-31-20
Superintendent of Schools	Chris Hoke	07-01-17 to 06-30-22
President of the School Board	Ken Polston Vince Sanders	01-01-17 to 12-31-18 01-01-19 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 NORTHWESTERN CONSOLIDATED SCHOOL  
DISTRICT OF SHELBY COUNTY, SHELBY 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 Northwestern Consolidated School District of Shelby County (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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

***Compliance and Other Matters***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

December 19, 2019, except for the Schedule of Expenditures  
of Federal Awards, for which the date is March 9, 2020



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

TO: THE OFFICIALS OF THE NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY, SHELBY COUNTY, INDIANA

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on the Major Federal Program***

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

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

**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 and 2019-003. Our opinion on the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003, that we consider to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

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

March 9, 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.

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Breakfast Program			FY 2018	\$ -	\$ 59,658	\$ -	\$ -
School Breakfast Program			FY 2019	-	-	-	60,811
Total - School Breakfast Program				-	59,658	-	60,811
National School Lunch Program							
School Lunch Program	Indiana Department of Education	10.555					
School Lunch Program			FY 2018	-	254,719	-	-
Commodities			FY 2019	-	-	-	259,155
Commodities			FY 2018	-	66,157	-	-
Commodities			FY 2019	-	-	-	70,392
Total - National School Lunch Program				-	320,876	-	329,547
Total - Child Nutrition Cluster				-	380,534	-	390,358
Total - Department of Agriculture				-	380,534	-	390,358
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States							
FY 2016 Federal Part B 611 Grant	Indiana Department of Education	84.027	14216-027-PN01	-	1,294	-	-
FY 2017 Federal Part B 611 Grant			14217-025-PN01	-	5,393	-	-
FY 2018 Federal Part B 611 Grant			18611-025-PN01	-	297,973	-	24,026
FY 2019 Federal Part B 611 Grant			H027A180084	-	-	-	290,306
Total - Special Education Grants to States				-	304,660	-	314,332
Special Education Preschool Grants							
FY 2017 Federal Part B 619 Grant	Indiana Department of Education	84.173	45717-025-PN01	-	554	-	-
FY 2018 Federal Part B 619 Grant			18619-025-PN01	-	13,668	-	-
FY 2019 Federal Part B 619 Grant			H173A180104	-	-	-	14,041
Total - Special Education Preschool Grants				-	14,222	-	14,041
Total - Special Education Cluster (IDEA)				-	318,882	-	328,373

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I Part A 2008-2009			008-7350	-	28	-	-
Title I Part A 2016-2017			S010A150014	-	1,257	-	-
Title I Part A 2017-2018			S010A170014	-	118,035	-	27,872
Title I Part A 2018-2019			S010A180014	-	-	-	155,259
Total - Title I Grants to Local Educational Agencies				-	119,320	-	183,131
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A 2015-2017			S367A150015	-	428	-	-
Title II Part A 2016-2018			S367A160013	-	15,407	-	665
Title II Part A 2017-2019			S367A170013	-	17,600	-	13,104
Title II Part A 2018-2020			S367A180013	-	-	-	27,465
Total - Supporting Effective Instruction State Grants				-	33,435	-	41,234
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A 2018-2019			S424A180015	-	-	-	8,905
Total - Student Support and Academic Enrichment Program				-	-	-	8,905
Total - Department of Education				-	471,637	-	561,643
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Health and Human Services	93.778					
Federal Medicaid Reimbursement Fund			FY 2019	-	-	-	1,277
Total - Medicaid Cluster				-	-	-	1,277
Total - Department of Health and Human Services				-	-	-	1,277
Total federal awards expended				\$ -	\$ 852,171	\$ -	\$ 953,278

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

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
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.

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

Identification of Major Program and type of auditor's report issued on compliance for it:

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

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

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

No matters are reportable.

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

**FINDING 2019-001**

Subject: Child Nutrition Cluster - Internal Control  
 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 Requirements: Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, Special Tests and Provisions - Paid Lunch Equity  
 Audit Finding: Material Weakness

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)*

The food service management company manager completed the verification of free and reduced price applications without an oversight or review process to ensure the accuracy of the verifications performed.

*Special Tests and Provisions - School Food Accounts*

There was not a documented oversight of the breakfast and lunch federal reimbursements to ensure that all reimbursements were recorded in a timely manner and properly receipted into the School Lunch fund.

*Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)*

The food service management company manager completed the paid lunch equity calculation without an oversight or review process to ensure the accuracy of the calculation.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation's management had not developed a system of internal control that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could also have allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal control, including segregation of duties, related to the grant agreement and the compliance requirements 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 2019-002**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles  
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: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The food service management company (Chartwells) invoiced the School Corporation for ten months each fiscal year. As a part of each monthly invoice there was an investment charge in the amount of \$919.55, which totaled \$18,391 for the audit period.

Requests were made to the School Corporation and Chartwells for the detail of and the supporting documentation for the investment charge; however, neither party provided that documentation.

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). . . ."

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 220.7(d)(3)(i) states:

"The food service management company shall maintain such records as the school food authority will need to support its Claim for Reimbursement under this part, and shall, at a minimum, report claim information to the school food authority promptly at the end of each month. Such records shall be made available to the school food authority, upon request, and shall be available for a period of 3 years from the date of the submission of the final Financial Status Report, for inspection and audit by representatives of the State agency, of the Department, and of the Government Accountability Office at any reasonable time and place. If audit findings have not been resolved, the records shall be retained beyond the three-year period (as long as required for the resolution of the issues raised by the audit); . . ."

2 CFR 200.403 states in part:

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

- (a) Be necessary and reasonable for the performance of the Federal award and be applicable thereto under these principles.
- (b) Conform to any limitation or exclusions set forth in these principles or in the Federal award as to types or amount of costs items. . . .
- (g) Be adequately documented. . . ."

*Cause*

The School Corporation's management had not developed a system of internal control that would have ensured compliance with the compliance requirement listed above.

*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. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of funds to the School Corporation.

*Questioned Costs*

Known questioned costs of \$18,391 were identified as detailed in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and 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.

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***Finding 2019-003***

Subject: Child Nutrition Cluster - Eligibility  
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: Eligibility  
Audit Findings: Material Weakness, Other Matters

*Condition and Context*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Eligibility compliance requirement.

The School Corporation had not established adequate internal controls to ensure that the eligibility determinations for free and reduced priced meal applications were correct. The food service management company employee was solely responsible for inputting the applicants' information into the software that determined eligibility. Also, applicable federal income eligibility parameters were entered into the system by one employee without oversight or review of the information entered.

For fiscal year 2017-2018, there was one instance of an individual's information being incorrectly input into the system, which resulted in an incorrect eligibility determination for the student. Additionally, for one student the federal income eligibility parameters were incorrectly entered into the software. The food service management company could not provide the 2017-2018 income parameters used in the software.

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to 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). . . ."

2 CFR 200.333 states in part:

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

NORTHWESTERN CONSOLIDATED SCHOOL DISTRICT OF SHELBY COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

7 CFR 245.6(c)(4) states:

*"Calculating income.* The local educational agency must use the income information provided by the household on the application to calculate the household's total current income. When a household submits an application containing complete documentation, as defined in § 245.2, and the household's total current income is at or below the eligibility limits specified in the Income Eligibility Guidelines as defined in § 245.2, the children in that household must be approved for free or reduced price benefits, as applicable."

*Cause*

The School Corporation's management had not developed and implemented a system of internal control that would have ensured compliance with the grant agreement and the Eligibility compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Eligibility compliance requirement. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

*Views of Responsible Officials*

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

#### AUDITEE-PREPARED DOCUMENTS

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



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District of Shelby County

4920 W. 600 N  
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**Superintendent**

Mr. Chris Hoke

**Corporation Treasurer**

Mrs. Tammy Achenbach

**Technology Director**

Mr. Josh Landis

**Maintenance Director**

Mr. Chuck Miller

**Transportation Director**

Mrs. Susie Childress

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Mr. Steve Steele

Mrs. Wendy Gearlds

Mr. Tim Kelly

Mr. Vince Sanders

Mr. Todd Brandman

Ms. Cressa Rund

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Fiscal year in which the finding initially occurred: 2016-2017

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

Contact Person Responsible for Corrective Action: Tammy Achenbach, Corporation  
Treasurer

Contact Phone Number: (317) 835-7461

### FINDING 2017-001

This finding was on the Co-op on the Special Ed grants which we were a part of. The work that was done at NWCS D was double-checked, with double signatures on reports etc.

### CORRECTION PLAN: 2017-001

- 1.) The Special Ed Co-op was disbanded.
- 2.) Our own internal control policies took care of the cash management and reporting – double signatures on accounts payable vouchers, two people checking reports and reimbursement requests, either by a signature or initials.

### Status of Audit Findings:

Laura Mullen, the former Business Manager/Corp. Treasurer had written the Correction Plan 2017-001. Laura retired 11/01/2019 and that is when I, Tammy Achenbach started at NWCS D as the Corporation Treasurer. I will need to review the Corrective Action Plan and follow up to ensure that the corrective actions have been taken; and that any additional changes would be made as needed



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### FINDING 2017-002

- 1.) Disbursements from our Federal grants were made in accordance to how the grants were written and approved by the state officials. By using our system of internal controls pertaining to Federal purchasing regulations and double signatures on accts Payable items. We feel we have addressed this issue.
- 2.) Semi Annual Certifications have been obtained on a regular basis.

### Status of Audit Finding:

Laura Mullen, the former Business Manager/Corp. Treasurer had written the Correction Plan 2017-002. Laura retired 11/01/2019 and that is when I, Tammy Achenbach started at NWCS as the Corporation Treasurer. I will need to review the Corrective Action Plan and follow up to ensure that the corrective actions have been taken; and that any additional changes would be made as needed.

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Contact Person Responsible for Corrective Action: Tammy Achenbach, Corporation  
Treasurer

Contact Phone Number: (317) 835-7461

### FINDING 2017-003

Internal Controls issues over procurement and Suspension & Disbarment.

### CORRECTION PLAN: 2017-003

- 1.) We are working to ensure that the procurement policies are being followed.
- 2.) When the grant is written and/or when purchases are made from Federal grants, the companies are checked within the SAM system. Copies are then stored in our files for review.

### Status of Audit Finding:

Laura Mullen, the former Business Manager/Corp. Treasurer had written the Correction Plan 2017-003. Laura retired 11/01/2019 and that is when I, Tammy Achenbach started at NWCS as the Corporation Treasurer. I will need to review the Corrective Action Plan and follow up to ensure that the corrective actions have been taken; and that any additional changes would be made as needed.

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## CORRECTIVE ACTION PLAN

### FINDING: 2019-001

Contact Person Responsible for Corrective Action: Tammy Achenbach, Treasurer  
Contact Phone Number: (317) 835-7461

### Views of Responsible Official:

We concur with the finding.

### Description of Correction Plan: 2019-001

- 1.) Food Service Management Company Manager will complete the verification of Free and Reduce price application process and reporting. A second food service employee will verify the supporting documentation for accuracy. Both parties will sign off/initial, date and send copies to the Treasurer to oversight purposes.
- 2.) Food Service Management Company Manager will provide documentation of the NSLP Sponsor Claim Summary, sign off/initial, date and send over to the Treasurer. When reimbursement from the State has been received the Treasurer will receipt timely into the School Lunch fund and a second business employee will verify by signing/initial and date.
- 3.) Food Service Management Company Manager will complete the paid lunch equity calculation with backup documentation. A second food service employee will verify the supporting documentation for accuracy. Both parties will sign off/initial, date and send copies to the Treasurer for oversight purposes.

### Anticipated Completion Date:

Corrective action as noted above for: Finding 2019-001, will be implemented for the 19-20 school year.

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## CORRECTIVE ACTION PLAN

### FINDING 2019-002

Contact Person Responsible for Corrective Action: Tammy Achenbach, Treasurer

Contact Phone Number: (317) 835-7461

### Views of Responsible Official:

We concur with the finding.

### Description of Corrective Action Plan:

- 1.) The School Corporation will monitor the Food Service Management Company invoices to ensure only allowable costs are being charged and paid from the School Lunch fund.
- 2.) The School Corporation has requested the documentation from Chartwells.

### Anticipated Completion Date:

Corrective action as noted above for: Finding 2019-002, will be implemented for the 19-20 school year.

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## CORRECTIVE ACTION PLAN

### FINDING 2019-003

Contact Person Responsible for Corrective Action: Tammy Achenbach, Treasurer

Contact Phone Number: (317) 835-7461

#### Views of Responsible Official:

We concur with the finding.

#### Description of Corrective Action Plan:

- 1.) The Food Service Management Director and Treasurer are in the process of reviewing and establishing adequate internal controls to ensure the eligibility determination for free and reduced priced meal applications by having a second food service employee check and verify applications by signing off/initialing and dating. The School Corporation is looking into a new Point of Sale system by the summer of 2020.
- 2.) The Food Service Management Director will need to provide documentation that the federal income eligibility parameters entered in the software each year is correct. A second food service employee will verify and both parties will sign off/initial and date verifying the information is correct. Copies will be sent to the Treasurer for oversight.

#### Anticipated Completion Date:

Corrective action as noted above for: Finding 2019-003, will be implemented for the 19-20 school year.

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## 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/>.