

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

ELKHART COMMUNITY SCHOOLS

ELKHART COUNTY, INDIANA

July 1, 2017 to June 30, 2019



FILED
03/26/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	3-4
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	11-13
Notes to Schedule of Expenditures of Federal Awards.....	14
Schedule of Findings and Questioned Costs.....	15-25
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	28-39
Corrective Action Plan	40-45
Other Reports.....	46

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kevin E. Scott	01-01-17 to 12-31-20
Superintendent of Schools	Robert E. Haworth Mark T. Mow (interim) Dr. Steven W. Thalheimer	07-01-17 to 06-30-18 07-01-18 to 12-31-18 01-01-19 to 12-31-20
President of the School Board	Susan C. Daiber Karen S. Carter Douglas K. Weaver Kellie L. Mullins	01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 01-01-20 to 12-31-20



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

TO: THE OFFICIALS OF THE ELKHART COMMUNITY SCHOOLS, ELKHART 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 Elkhart Community Schools (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated January 28, 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 items 2019-001 and 2019-002, that we consider to be material weaknesses.

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

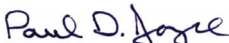
As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 items 2019-001 and 2019-002.

Elkhart Community Schools' Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

January 28, 2020, except for the Schedule of Expenditures
of Federal Awards, for which the date is February 25, 2020



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

TO: THE OFFICIALS OF THE ELKHART COMMUNITY SCHOOLS, ELKHART COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Elkhart Community Schools (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.

Basis for Qualified Opinion on Child Nutrition Cluster

As described in item 2109-004 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Procurement and Suspension and Debarment that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with the requirements applicable to that program.

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

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Child Nutrition Cluster for the period of July 1, 2017 to June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the period of July 1, 2017 to June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 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.

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.

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)


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 2019-003, 2019-004, and 2019-005, 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.

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

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated January 28, 2020, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.


Paul D. Joyce, CPA
State Examiner

February 25, 2020

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

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ELKHART COMMUNITY SCHOOLS
 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					
			FY2018	\$ -	\$ 1,438,479	\$ -	\$ -
			FY2019	-	-	-	1,501,018
Total - School Breakfast Program				-	1,438,479	-	1,501,018
National School Lunch Program	Indiana Department of Education	10.555					
National School Lunch Program			FY2018	-	3,993,033	-	-
School Snack Program			FY2018	-	21,278	-	-
National School Lunch Program			FY2019	-	-	-	4,074,160
School Snack Program			FY2019	-	-	-	29,172
Commodities			FY2018/2019	-	529,647	-	535,187
Total - National School Lunch Program				-	4,543,958	-	4,638,519
Summer Food Service Program for Children	Indiana Department of Education	10.559					
			FY2018	-	125,894	-	-
			FY2019	-	-	-	123,691
Total - Summer Food Service Program for Children				-	125,894	-	123,691
Total - Child Nutrition Cluster				-	6,108,331	-	6,263,228
Child and Adult Care Food Program	Indiana Department of Education	10.558					
			FY2018	-	115,456	-	-
			FY 2019	-	-	-	115,961
Total - Child and Adult Care Food Program				-	115,456	-	115,961
Child Nutrition Discretionary Grants Limited Availability	Indiana Department of Education	10.579					
			FY2018	-	39,303	-	-
Fresh Fruit and Vegetable Program	Indiana Department of Education	10.582					
			FY2018	-	129,710	-	-
			FY 2019	-	-	-	105,047
Total - Fresh Fruit & Vegetable Program				-	129,710	-	105,047
Total - Department of Agriculture				-	6,392,800	-	6,484,236
<u>Department of Labor</u>							
WIOA Cluster							
WIOA Dislocated Worker Formula Grants	Indiana Department of Workforce Development	17.278					
			AA-28315-16-55-A-18	-	2,372	-	-
Total - WIOA Cluster				-	2,372	-	-
Total - Department of Labor				-	2,372	-	-

ELKHART COMMUNITY SCHOOLS
 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 Education</u>							
School Improvement Grants	Indiana Department of Education	84.377	S377A130015	-	47,513	-	-
			S377A140015	-	343,054	-	229,342
			S377A150015	-	-	-	136,512
			S377A160015	-	-	-	56,133
Total - School Improvement Grants				-	390,567	-	421,987
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027	14217-013-PN01	-	741,279	-	437,395
			18611-013-PN01	-	2,176,387	-	1,077,057
			19611-013-PN01	-	-	-	668,893
Total - Special Education Grants to States				-	2,917,666	-	2,183,345
Special Education Preschool Grants	Indiana Department of Education	84.173	45717-013-PN01	-	17,959	-	-
			18619-013-PN01	-	63,832	-	45,226
			19619-013-PN01	-	-	-	19,009
Total - Special Education Preschool Grants				-	81,791	-	64,235
Total - Special Education Cluster (IDEA)				-	2,999,457	-	2,247,580
Adult Education - Basic Grants to States	Indiana Department of Education	84.002	IELCE6121	-	21,137	-	-
			IELCE7121	-	7,269	-	11,010
			AE7121	-	-	-	96,494
			V002A180014	-	-	-	86,633
Total - Adult Education - Basic Grants to States				-	28,406	-	194,137
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	S010A150014	-	212,992	-	-
			S010A160014	-	1,843,148	-	-
			S010A170014	-	1,596,026	-	2,146,149
			S010A180014	-	-	-	1,372,156
Total - Title I Grants to Local Educational Agencies				-	3,652,166	-	3,518,305
Career and Technical Education -- Basic Grants to States	Indiana Department of Education	84.048	17-4700-2305	-	37,453	-	-
			18-4700-2305	-	593,872	-	42,234
			18A-4700-2305	-	-	-	17,353
			19-4700-2305	-	-	-	386,316
Total - Career and Technical Education -- Basic Grants to States				-	631,325	-	445,903

ELKHART COMMUNITY SCHOOLS
 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
Twenty-First Century Community Learning Centers	Indiana Department of Education	84.287	16-17	-	51,148	-	-
			17-18	-	123,435	-	-
			S287C150014	-	190,059	-	58,002
			S287C160014	-	-	-	20,423
			S287C170014	-	-	-	82,495
			S287C170014	-	-	-	137,942
Total - Twenty-First Century Community Learning Centers				-	364,642	-	298,862
English Language Acquisition State Grants	Indiana Department of Education	84.365	01117-002-FLUX	-	5,674	-	225
			01117-021-PN01	-	203,961	-	2,536
			01118-005-FLUX	-	3,200	-	-
			01118-020-PN01	-	120,489	-	149,824
			01119-023-PN01	-	-	-	70,028
Total - English Language Acquisition State Grants				-	333,324	-	222,613
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	S367A150013	-	6,556	-	-
			S367A160013	-	435,024	-	20,854
			S367A170013	-	115,067	-	322,727
			S367A180013	-	-	-	145,758
Total - Supporting Effective Instruction State Grants				-	556,647	-	489,339
Total - Department of Education				-	8,956,534	-	7,838,726
<u>Department of Health and Human Services</u>							
<u>Medicaid Cluster</u>							
Medical Assistance Program	Indiana Department of Education	93.778	FY2018	-	108,883	-	-
MAC			FY2019	-	-	-	98,535
MAC							
Total - Medicaid Assistance Program				-	108,883	-	98,535
Total - Medicaid Cluster				-	108,883	-	98,535
Substance Abuse and Mental Health Services Projects of Regional and National Significance	Indiana Department of Education	93.243	IH79SM061844-01	-	6,670	-	-
Total - Department of Health and Human Services				-	115,553	-	98,535
<u>Department of Homeland Security</u>							
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036	FY2019	-	-	-	5,147
Total - Department of Homeland Security				-	-	-	5,147
Total federal awards expended				\$	15,467,259	\$	14,426,644

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

ELKHART COMMUNITY SCHOOLS
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.

ELKHART COMMUNITY SCHOOLS
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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
	Child Nutrition Cluster	Qualified
	Special Education Cluster (IDEA)	Unmodified
84.010	Title I Grants to Local Educational Agencies	Unmodified
84.048	Career and Technical Education -- Basic Grants to States	Unmodified
84.367	Supporting Effective Instruction State Grants	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$896,817

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2019-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition and Context

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts pertaining to the school lunch program. Each school made daily bank deposits into the School Corporation's food service bank account for school lunch collections. There was no evidence of a review or approval process over school lunch collections prior to bank deposits being made. Control activities should be in place to reduce the risks of errors in financial reporting.

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Furthermore, school lunch collections were not receipted into the School Corporation's accounting program in a timely manner. School lunch collections were receipted on a monthly basis.

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. . . ."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Cause

Management of the School Corporation had not established a proper system of internal controls.

Effect

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

Views of Responsible Officials

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

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2019-002

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.

Condition and Context

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

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Governmental Units financial reporting system, which was the source of the SEFA. An oversight or review process had been implemented; however, the review was not effective as evidenced by the errors on the SEFA identified below:

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

1. The Child Nutrition Cluster expenditures were understated by \$97,688 for the year ended June 30, 2018, and overstated by \$33,358 for the year ended June 30, 2019.
2. The School Improvement Grants expenditures were understated by \$202,382 for the year ended June 30, 2018.
3. The Adult Education - Basic Grants to States expenditures were overstated by \$204,787 for the year ended June 30, 2018, and overstated by \$1,700 for the year ended June 30, 2019.
4. The Title I Grants to Local Educational Agencies expenditures were overstated by \$202,383 for the year ended June 30, 2018.
5. The Career and Technical Education -- Basic Grants to States expenditures were understated by \$81 for the year ended June 30, 2019.
6. The Medicaid Cluster expenditures were overstated by \$21,132 for the year ended June 30, 2018, and overstated in by \$134,216 for the year ended June 30, 2019.

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:

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

"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. . . ."

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 award years, the auditee may list the amount of Federal awards expended for each 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 a 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.

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (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 controls that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained 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 2019-003

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY2018, FY2019

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, Special Tests and Provisions -
Verification of Free and Reduced Price Applications, Special Tests
and Provisions - School Food Accounts, Special Tests and
Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report regarding Cash Management and Special Tests and Provisions - School Food Accounts. The prior audit finding number was 2017-004.

Condition and Context

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the compliance requirements listed above.

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with cash management requirements. There was no oversight or review to determine calculations or monitoring of the cash balances occurred.

Program Income

The School Corporation had not designed or implemented adequate internal controls to ensure that program income was properly recorded. Meal prices are updated annually without an effective control to ensure accuracy. One employee transferred program income into the School Lunch fund with no oversight or review.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate internal controls to ensure that verification of free and reduced price applications and any necessary changes to students' eligibility statuses were accurate. During fiscal year 2017-2018, one employee performed the verification of applications and entered the changes to student accounts without evidence of oversight or review.

Special Tests and Provisions - School Food Accounts

The School Corporation had not designed or implemented adequate internal controls to ensure that transfers out of the school food service account were for the benefit of the school food service or that rebates were properly credited to the School Lunch fund. One employee posted transfers and rebates to the School Lunch fund with no oversight or review process in place to ensure accuracy.

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

The School Corporation had not implemented adequately documented internal controls to ensure the accuracy of the paid lunch equity calculation. School meal prices were determined by performing the paid lunch equity calculation, and approved by the School Board. However, there was no documented control over the paid lunch equity calculation to ensure accuracy.

The lack of controls was a systemic issue throughout the audit period for Cash Management, Program Income, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity. The lack of controls for Special Tests and Provisions - Verification of Free and Reduced Price Applications 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). . . ."

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls to ensure compliance with the grant agreement and the Cash Management, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Views of Responsible Officials

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

FINDING 2019-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY2018, FY2019
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-005.

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 comply with the procurement requirements for small purchases and procurements that exceeded the simplified acquisition threshold. The School Corporation purchased goods without the appropriate procurement procedures in place.

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation did not comply with the suspension and debarment requirements for contracts exceeding \$25,000. The School Corporation entered into a contract without verifying that the entity was not suspended, debarred, or otherwise excluded.

Exceeds Simplified Acquisition

The School Corporation had not designed or implemented adequate internal controls to ensure bids, competitive proposals, or noncompetitive proposals, when allowable, were obtained. The School Corporation entered into a contract for purchases of supplies that exceeded the simplified acquisition threshold, but did not perform any procedures to ensure full and open competition.

Small Purchases

The School Corporation had not designed or implemented adequate internal controls to ensure that price and rate quotes were obtained from an adequate number of sources for purchases of goods or services exceeding \$3,500 for fiscal year 2017-2018 or \$10,000 for 2018-2019. The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Suspension and Debarment

The School Corporation had not designed or implemented adequate internal controls to ensure contracted vendors were not suspended, debarred, or otherwise excluded. The School Corporation entered into a contract for purchases of supplies, but did not verify the vendor's suspension or debarment status.

The lack of controls was a systemic issue throughout the audit period. Based on testing performed, the lack of compliance over procurement for simplified acquisitions and the suspension and debarment requirements was isolated to one vendor tested, for which a five year contract was entered into. The lack of compliance over procurement of those disbursements that met the small purchase threshold accounted for 18 percent of those tested.

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 200.320 states in part:

"The non-Federal entity must use one of the following methods of procurement. . . ."

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

ELKHART COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls and comply with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2019-005

Subject: Career and Technical Education -- Basic Grants to States - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Career and Technical Education -- Basic Grants to States

CFDA Number: 84.048

Federal Award Numbers and Years (or Other Identifying Numbers): 17-4700-2305, 18-4700-2305,
18A-4700-2305, 19-4700-2305

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2017-009.

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 following disbursements charged to the Career and Technical Education -- Basic Grants to States grant were not in compliance with the Allowable Costs/Cost Principles compliance requirement. Three disbursements totaled \$13,877 and were considered questioned costs.

1. The School Corporation reimbursed costs to an employee that were not allowable.
2. The School Corporation double paid stipends issued to five employees.
3. The School Corporation paid a part-time teacher the full-time teacher stipend amount.
4. The School Corporation underpaid one vendor for services provided.

The lack of controls was a systemic issue throughout the audit period. Of the 45 accounts payable vouchers or payroll claims tested, 8 (18 percent) contained the errors described above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

ELKHART COMMUNITY SCHOOLS
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). . . ."

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 allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity. . . .
- (g) Be adequately documented. . . ."

Cause

The School Corporation's management had not developed an effective system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

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

Questioned Costs

There were known questioned costs of \$13,877.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls and comply 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.

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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.



BUSINESS OFFICE

PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-001

Fiscal year in which the finding initially occurred: 2013-15 Audit
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Valerie Gillespie
Contact Phone Number: (574) 262-5537

Status of Audit Finding:

Lack of Segregation of Duties-Payroll Disbursements

Wages and salaries entered into the district's Payroll Software utilizing a dual confirmation process of verifying accurate wages has been implemented. The Human Resource Department and Payroll Secretary enter wages in their respective access in the Payroll Software, and if wages do not agree, payroll cannot be finalized until the issue is addressed and rectified.

Lack of Segregation of Duties- Vendor Disbursements

Requests to purchase are initiated by Department Heads, submitted to Administrators for approval, and forwarded to the Controller for verification of available appropriations and to ensure the accurate budget account code is utilized. Upon approval, the Purchasing Department releases a Purchase Order in duplicate (blue & gold) to the requesting source. Upon arrival of the order and/or completion of the service as approved through the Purchase Order, the gold copy of the Purchase Order is returned to the Purchasing Department and forwarded to Accounts Payable for match with the invoice. Accounts Payable receives an invoice for payment, and addresses billing discrepancies between the final invoice & approved Purchase Order. Once verified, the invoice is prepared with the Claims Docket to be reviewed by the Board of School Trustees. Upon the Board's approval, payment is released accordingly.

Lack of Segregation of Duties- Cash Reconciliation Process

The district's bank reconciliations are prepared by the Deputy Treasurer and reviewed by the Chief Financial Officer. Monthly, the School Board of Trustees is presented with a financial report of the

district's standing by the Chief Financial Officer. Procedures to enhance internal controls are continually reviewed to ensure accurate reporting and to mitigate against potential loss.

Delayed completion of the 2013-2015 audit by the State Board of Accounts created a situation where corrective action could not be completed prior to the 2015-2017 audit and thus were not visible during that period. The corrective actions were in place for the 2017-2019 audit period.





BUSINESS OFFICE

PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-002

Fiscal year in which the finding initially occurred: 2015-17 Audit

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Supervisor of Accounting, Audits, & Investments

Contact Phone Number: (574)262-5537

Status of Audit Finding:

Preparation of the Schedule of Expenditures of Federal Awards

The Supervisor of Accounting, Audits, & Investments prepares the monthly grant reimbursement request, and the respective Grant Administrator of the district reviews and approves the documents prepared and presented as supporting documentation. Once approval is received, the Supervisor of Accounting, Audits, & Investments submits the reimbursement request to the respective state entity for processing. Annually, the Supervisor of Accounting, Audits, & Investments prepares the Schedule of Expenditures of Federal Awards (SEFA), which represents Federal grant reimbursement funding received during the prior fiscal year. Upon completion, the Chief Financial Officer reviews the data as prepared by the Supervisor of Accounting, Audits, & Investments, and submits the SEFA once validated.



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PHONE: 574-262-5563



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2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-003

Fiscal year in which the finding initially occurred: 2015-17 Audit

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Supervisor of Accounting, Audits, & Investments

Contact Phone Number: (574)262-5537

Status of Audit Finding:

Activities Allowed or Unallowed, Allowable Costs/Cos Principles, Period of Performance

To address the internal control deficiency that existed, additional reports are now routinely provided to grant administrators. During the monthly reimbursement request preparation, the Supervisor of Accounting, Audits, & Investments provides the respective grant administrator detailed reports as supporting documentation that substantiate the reimbursement request. These reports include: payroll distribution report, expenditure report in detail, and expenditure report in summary. All of these reports are provided to the grant administrator via google drive access. The google drive platform allows for continuous access to expenditure reports, per each applicable grant reimbursement request. Upon the review and confirmation of the expenditures reflected in the provided reports, the grant administrator signs the reimbursement request and it is submitted for processing to the respective state entity.



BUSINESS OFFICE

PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-4

Fiscal year in which the finding initially occurred: 2015-17 Audit
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)262-5523

Status of Audit Finding:

School Food Accounts

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement

Accounts Payable claims reflect signatures of the Food Service Building Manager, Food Service Department Secretary, and Food Service Director. These signatures represent verification that the goods were received by the building, that the correct budget expenditure account code was assigned, as well as oversight and authorization. Procurement contracts have been revised to include language in which the vendor attests to compliance regarding their suspension and debarment status. Internally, the Food Service Department Secretary routinely confirms vendor compliance.

Cash Management, Special Tests and Provisions- School Food Accounts

Upon completion, the Food Service Director reviews and signs the monthly bank reconciliation of the Food Service account to represent review and oversight of financial transactions and overall cash balance. Implementation of controls is in process to document review and oversight to ensure that the cash balance of the Food Service Fund is not in excess of three months' worth of operational expenditures. The target completion of this work is Q1, 2020.

Eligibility

Annually, the Food Service Secretary reviews & documents confirmation that the district's software vendor is utilizing accurate Free/Reduced meal eligibility standards, as established by the Federal government. Once confirmed, the Food Service Director reviews and signs, and documents are

retained for compliance. The same review, oversight, and documentation practices are adhered to concerning the Verification Summary Report.





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PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-005

Fiscal year in which the finding initially occurred: 2015-17 Audit
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: (574)262-5523

Status of Audit Finding:

Food Service Department- Suspension & Debarment

To reflect review and oversight, the Food Service Secretary completes vendor reviews, and documents with a signature once verification that vendors have been found to be within compliance, and not listed as suspended or debarred by the Federal Government. Once completed, the Food Service Director reviews the documentation retained as validation, and documents with their signature.



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PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-006

Fiscal year in which the finding initially occurred: 2015-17 Audit
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Director of Special Services
Contact Phone Number: (574)262-5542

Status of Audit Finding:

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Upon preparation of a grant's final report, expenditure information is provided by the Supervisor of Accounting, Audits & Investments to the Director of Special Services. The Director of Special Services reviews the information to ensure expenditures listed are in alignment with the proper reporting period. Once confirmed, the Director of Special Services utilizes the expenditure information in the final reporting of the respective grant.



BUSINESS OFFICE

PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-007

Fiscal year in which the finding initially occurred: 2015-17 Audit

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Director of Federal Programs

Contact Phone Number: (574)262-5679

Status of Audit Finding:

Special Tests & Provisions- Annual Report Card/High School Graduation Rate

To maintain internal controls & proper levels of review and oversight, the Administrator, or the Administrator's designee, reviews, verifies, and signs the completed and accurate withdrawal forms. Proper oversight, coupled with the internal software enhancements made to expand withdrawal categories, strengthens the district's level of accurate reporting compliance.



BUSINESS OFFICE

PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-008

Fiscal year in which the finding initially occurred: 2015-17 Audit
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE
Contact Person Responsible for Corrective Action: Asst. Superintendent of Instruction
Contact Phone Number: (574)262-5559

Status of Audit Finding:

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Period of Performance, Reporting & Special Test & Provisions- School Wide Improvement Plan

Accounts Payable Vouchers

Before Accounts Payable vouchers and/or claims are released for payment, review and oversight steps are in place to ensure that the respective grant administrator's authorization is reflected. Claims and/or vouchers that are missing the required approval by the respective grant administrator are routed back to the person in which the claim was received from.

Schoolwide Improvement Plans

To ensure that Schoolwide Improvement Plans submitted are adhered to, routine monitoring is occurring at buildings to understand progress. When necessary, re-alignment opportunities are determined, evaluated and acted upon to ensure that goals are reached.



BUSINESS OFFICE

PHONE: 574-262-5563



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J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-009

Fiscal year in which the finding initially occurred: 2015-17 Audit

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Director of the Elkhart Area Career Center

Contact Phone Number: (574)262-5670

Status of Audit Finding:

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance

Before Accounts Payable vouchers and/or claims are released for payment, review and oversight steps are in place to ensure that the Director of the Elkhart Area Career Center's authorization is reflected. Claims and/or vouchers that are missing the required approval by the respective grant administrator are routed back to the person in which the claim was received from.



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PHONE: 574-262-5563



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2720 CALIFORNIA ROAD • ELKHART, IN 46514
PHONE: 574-262-5500

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2017-010

Fiscal year in which the finding initially occurred: 2015-17 Audit

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: IDOE

Contact Person Responsible for Corrective Action: Director of the Elkhart Area Career Center

Contact Phone Number: (574)262-5670

Status of Audit Finding:

Material Weakness

To reflect review and oversight, the Elkhart Area Career Center Secretary completes reviews, and documents with their signature once verification that vendors have been found to be within compliance, and not listed as suspended or debarred by the Federal Government. Once completed, the Elkhart Area Career Center Director reviews the documentation retained as validation, and documents with their signature.

Other Matters

Previously, purchases did not always comply with the required bid and/or quote process, as applicable. To strengthen internal controls, the Elkhart Area Career Center Director reviews and ensures that proper documentation is retained with the Purchase Order before releasing authorization to secure the good/service.



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CORRECTIVE ACTION PLAN

FINDING 2019-001

Contact Person Responsible for Corrective Action: Director of Food Services

Contact Phone Number: (574)262-5523

Compliance Requirements: Financial Transactions and Reporting

Internal control deficiencies resulted in gaps of proper oversight processes.

We agree with this finding.

During the audit period, Food Service deposits were not reviewed for accuracy in every instance before being physically deposited. Additionally, upon deposit, the transactions were not timely applied to the Food Service Fund.

To rectify these issues, internal control improvements have been identified and implemented to ensure accurate and secure handling of funds. Prepared deposits are reviewed for accuracy by both the building cafeteria Food Service Manager and Assistant Manager (or a designee, as assigned in the absence of either Manager). In order to document review and oversight has occurred, those who have verified the accuracy of the deposit will initial the completed deposit ticket.

School lunch collections will be receipted on a weekly basis, ensuring both accuracy and timeliness are maintained for proper reporting. A designee of the Food Service Director will be responsible for reviewing entered receipts weekly, and will document oversight accordingly.

In conjunction with these changes to operations, routine reviews to ensure compliance are conducted by the Supervisor of Accounting, Audits, and Investments with the intent to prevent the exceptions from occurring in the future.

Anticipated Completion Date: Quarter II, 2020

Pam Melcher
Name of Responsible Official

Director of Food Services
Title

1/27/2020
Date

J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514



BUSINESS OFFICE

ELKHART
COMMUNITY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2019-002

Contact Person Responsible for Corrective Action: Supervisor of Accounting, Audits, & Investments

Contact Phone Number: (574)262-5537

Compliance Requirements: Preparation of the Schedule of Expenditures of Federal Awards

An opportunity to gain and implement clarified directives regarding the reporting of specific programs through the Schedule of Expenditures of Federal Awards existed.

We agree with this finding.

During the audit period, the Schedule of Expenditures of Federal Awards (SEFA) was reported under a fiscal year basis. However, upon further review coupled with guidance from the State Board of Accounts and the Indiana Department of Education, the Commodities sub-category through the Food Service Program is reported on a program basis, which is independent of fiscal year reporting. To address and rectify, the Supervisor of Accounting, Audits, and Investments will monthly evaluate the Commodities program activity to ensure alignment with that of the SEFA, completing revisions when applicable, upon the review and approval of the Chief Financial Officer.

Through the district's utilization of a third-party service for the administration of the Medicaid Assistance Program, the net and not the gross proceeds of federal Medicaid funds were recorded in error. This discrepancy affected the reporting of the SEFA. To rectify and ensure accurate reporting, the receipt of the gross proceeds will be recognized moving forward, and the expenditure of the services rendered by the third-party administrator will be recognized to arrive at a net receipt of allocations received.

The implementation of these key operational opportunities enhances internal controls to foster accurate reporting through the SEFA.

Anticipated Completion Date: Quarter II, 2020

Valerie Gillespie
Name of Responsible Official

Supervisor of Accounting, Audits, & Investments
Title

02/25/2020
Date

J.C. RICE EDUCATIONAL SERVICES CENTER
2720 CALIFORNIA ROAD • ELKHART, IN 46514



CORRECTIVE ACTION PLAN

FINDING 2019-003

Contact Person Responsible for Corrective Action: Director of Food Services

Contact Phone Number: (574)262-5523

Compliance Requirements: Cash Management, Program Income, Special Tests and Provisions-Verification of Free and Reduced Price Applications, School Food Account, Paid Lunch Equity

Proper review and oversight was not documented in all situations, conflicting with requirements to ensure proper Internal Controls compliance.

We agree with this finding.

Cash Management

Although the bank reconciliation was completed by the Deputy Treasurer and reviewed by the Director of Food Services, calculations to ensure that the Food Service Fund balance was not operating in excess of three months' average expenditures were not documented. To correct the finding, this calculation has been included on the signature page of the bank reconciliation to allow oversight and compliance within the operating balance of the Food Service Fund.

Program Income

Previously, the Training Specialist updated the meal prices annually without review. To strengthen internal controls, the Food Service Secretary enters the revised meal prices into the system and the Food Service Director reviews to ensure accuracy. Upon completion, and once meal prices have been verified as accurate, both employees sign and date documentation from the software utilized by the district. Transfers of program income into the School Lunch Fund are initiated and reviewed by the Food Service Bookkeeper and Food Service Assistant. Upon their completion, review, and documentation of the transfer, the Food Service Director ensures accuracy of the transaction and signs to document oversight.

Special Tests and Provisions- Verification of Free and Reduced Price Applications

Food Service Secretary completes changes to Free and Reduced Applications, and the Food Service Assistant to the Director for Elementary Schools reviews the changes for accuracy. Both individuals initial and date supporting documentation generated from the software utilized by the district to represent completion and verification of the review.

Special Tests and Provisions- School Food Account

Transfers out of the school food service account are prepared by the Food Service Bookkeeper. Supporting documentation, which includes the signature of the Food Service Bookkeeper to document preparation of the transfer transaction as prepared, is then provided to the Food Service Director for review and authorization. The Food Service Director authorizes the transfer by signing and dating the supporting documentation. The supporting documentation of the transfer is then provided to the Food Service Bookkeeper to complete the transfer.

Rebates are prepared by the Food Service Bookkeeper, and the Food Service Director reviews for accuracy, signing upon agreement. Once the rebate is received, the Food Service Secretary compares the check received with the supporting documentation of the expected rebate to verify for accuracy and then deposits the physical check to the bank. Then, the Food Service Bookkeeper receipts the funds into the financial software. These transactions are reviewed by the Food Service Director through the monthly bank reconciliation review process.

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

The Food Service Secretary and Food Service Director enter Paid Lunch Equity information into the software, and supporting documentation is generated from the system to record the transaction. The individual initiating the change signs and dates to document as source of completion, and provides to counterpart to review for accuracy. Once accuracy is confirmed, the counterpart then documents by providing signature and date on the supporting documentation.

Anticipated Completion Date: Quarter II, 2020

Pam Melcher
Name of Responsible Official

Director of Food Services
Title

02/25/2020
Date





BUSINESS OFFICE

ELKHART
COMMUNITY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2019-004

Contact Person Responsible for Corrective Action: Director of Food Services

Contact Phone Number: (574)262-5523

Compliance Requirements: Procurement and Suspension and Debarment

Contracts entered for goods and services did not always entail all of the required documentation pertinent to the acquisition. Verification of vendors reviewed for suspension and debarment was not documented in all situations.

We agree with this finding.

Future purchase agreement contract language will follow open bid, competitive, and noncompetitive proposal procedures per state and federal regulations. Subsequently, the method of procurement will be documented and retained to support the rationale of the selection of the respective vendor.

To ensure proper oversight and compliance of the Suspension and Debarment verification of vendors, the Commodity Coordinator will complete annual reviews through the Systems for Award Management (SAMS), documenting their completion with signature and date within an internally established form. To document dual oversight & review, the Office Assistant also follows the same process. The internally established form is reviewed by the Food Service Director on a monthly basis, subsequent to reviewing the cash reconciliation.

Due to audit delays, this is a subsequent finding as contracts were entered after the completion of the 2015-17 audit, which concluded on October 31, 2018.

Anticipated Completion Date: Quarter II, 2020

Pam Melcher
Name of Responsible Official

Director of Food Services
Title

02/25/2020
Date



BUSINESS OFFICE

ELKHART
COMMUNITY SCHOOLS

CORRECTIVE ACTION PLAN

FINDING 2019-005

Contact Person Responsible for Corrective Action: Career & Technical Education Director

Contact Phone Number: (574)262-5670

Compliance Requirements: Allowable Costs/Cost Principles

Internal control deficiencies existed in specific situations, as audited for the period.

We agree with this finding.

During the audit period, internal controls were not sufficient to ensure program compliance of allowable costs per the grant.

To rectify these issues, internal control opportunities to strengthen the financial oversight of operations have been identified and implemented. For example, an internal Travel Expense Form is used to document all travel costs associated within the Career and Technical Education Department. This form has been enhanced to incorporate increased oversight of internal controls, and integrates a three-tiered approval system. The authorization of payroll stipends will be communicated in duplicate to ensure proper review and oversight. The first authorization by memo directive, and the second by signed payroll claim form. Both communications must be released by the Career and Technical Education Director and received by the Payroll Department before stipends are authorized to be released. These enhancements of additional oversight and reporting ensure compliance and adherence to Federal statutes, regulations, and the terms and conditions of all Federal awards.

In conjunction with these changes to operations, routine reviews to ensure compliance are conducted by the Supervisor of Accounting, Audits, and Investments with the intent to prevent the exceptions from occurring in the future.

Anticipated Completion Date: Quarter II, 2020

Brandon Eakins
Name of Responsible Official

Career & Technical Education Director
Title

02/25/2020
Date

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/>.