

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

FEDERAL COMPLIANCE AUDIT REPORT
OF
NORTHERN WELLS COMMUNITY SCHOOLS
WELLS COUNTY, INDIANA
July 1, 2018 to June 30, 2020



FILED
06/23/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah L. Adams	07-01-18 to 06-30-21
Superintendent of Schools	Dr. Scott A. Mills Mike Springer	07-01-18 to 08-31-20 09-01-20 to 06-30-21
President of the School Board	R. Scott Elzey Angela K. Topp	07-01-18 to 12-31-18 01-01-19 to 06-30-21



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 NORTHERN WELLS COMMUNITY
SCHOOLS, WELLS 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 Northern Wells Community Schools (School Corporation), for the period of July 1, 2018 to June 30, 2020, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated May 20, 2021, 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

May 20, 2021, except for the Schedule of Expenditures
of Federal Awards, for which the date is June 15, 2021



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 NORTHERN WELLS COMMUNITY SCHOOLS, WELLS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Northern Wells 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, 2018 to June 30, 2020. 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 Special Education Cluster (IDEA)

As described in item 2020-002 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting compliance of the School Corporation with the Special Education Cluster (IDEA) regarding Matching, Level of Effort, Earmarking. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

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

Qualified Opinion on Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Special Education Cluster (IDEA)* paragraph the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Special Education Cluster (IDEA) for the period of July 1, 2018 to June 30, 2020.

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, 2018 to June 30, 2020.

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 2020-001. 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 2020-001 and 2020-002, 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, 2018 to June 30, 2020, and the related notes to the financial statement. We issued our report thereon dated May 20, 2021, 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

June 15, 2021

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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.

NORTHERN WELLS COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Department of Agriculture							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
Food Service			FY2019	\$ -	\$ 28,724	\$ -	\$ -
Food Service			FY2020	-	-	-	20,888
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
FY2020 School Breakfast Program			FY2020	-	-	-	47,712
Total - School Breakfast Program				-	28,724	-	68,600
National School Lunch Program							
Lunch Program	Indiana Department of Education	10.555					
Lunch Program			FY2019	-	317,911	-	-
Commodities			FY2020	-	-	-	232,950
				-	100,086	-	82,541
Sub-total - National School Lunch Program				-	417,997	-	315,491
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
FY2020 National School Lunch Program			FY2020	-	-	-	100,561
Total - National School Lunch Program				-	417,997	-	416,052
Total - Child Nutrition Cluster				-	446,721	-	484,652
Total - Department of Agriculture				-	446,721	-	484,652
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education Part B 611			14217-001-PN01	-	721	-	-
Special Education Part B 611			18611-001-PN01	-	384,986	-	16,293
Special Education Part B 611			19611-001-PN01	-	66,143	-	380,397
Special Education Part B 611			20611-001-PN01	-	-	-	11,798
Total - Special Education Grants to States				-	451,850	-	408,488
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education Part B 611			18619-001-PN01	-	3,232	-	3,602
Special Education Part B 619			19619-001-PN01	-	9,907	-	3,732
Total - Special Education Preschool Grants				-	13,139	-	7,334
Total - Special Education Cluster (IDEA)				-	464,989	-	415,822

NORTHERN WELLS COMMUNITY SCHOOLS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended June 30, 2019 and 2020

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 06-30-19	Total Federal Awards Expended 06-30-19	Passed Through to Subrecipient 06-30-20	Total Federal Awards Expended 06-30-20
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A170014	-	102,125	-	-
Title I			S010A180014	-	208,585	-	84,350
Title I			S010A190014	-	-	-	247,376
Total - Title I Grants to Local Educational Agencies				-	310,710	-	331,726
Career and Technical Education - Basic Grants to States	Bluffton-Harrison MSD	84.048					
Area 18 Vocational Grant			19-4700-8445	-	24,590	-	-
Area 18 Vocational Grant			20-4700-8445	-	-	-	28,189
Total - Career and Technical Education - Basic Grants to States				-	24,590	-	28,189
English Language Acquisition State Grants		84.365					
Title III	Northwest Indiana Education Service Center		01118-204-PN01	-	4,467	-	-
Title III	Wabash Valley Educational Center		01118-212-PN01	-	490	-	-
Title III	Indiana Department of Education		S365A160014	-	2,346	-	-
Total - English Language Acquisition State Grants				-	7,303	-	-
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			S367A170013	-	44,726	-	9,953
Title II Part A			S367A180013	-	-	-	16,139
Total - Supporting Effective Instruction State Grants				-	44,726	-	26,092
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV Part A			S424A180015	-	-	-	18,415
Total - Department of Education				-	852,318	-	820,244
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Family Social Services Administration	93.778					
Medicaid - IEP			FY2020	-	-	-	12,577
Total - Medicaid Cluster				-	-	-	12,577
Total - Department of Health and Human Services				-	-	-	12,577
Total federal awards expended				\$ -	\$ 1,299,039	\$ -	\$ 1,317,474

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

NORTHERN WELLS 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, 2019 and 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

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

B. Other Significant Accounting Policies

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

Note 2. Indirect Cost Rate

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

Note 3. Special Education Cooperative

The School Corporation is a member of the Adams Wells Special Services Cooperative (Cooperative). As a result, some activity for the Special Education Cluster (IDEA) that is presented as federal awards expended in the SEFA is not presented as receipts and disbursements in the financial statement of the School Corporation. This activity is reported on the financial statement of the Cooperative.

NORTHERN WELLS 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 to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

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

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

Section II - Financial Statement Findings

No matters are reportable.

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-001

Subject: Child Nutrition Cluster - Program Income
 Federal Agency: Department of Agriculture
 Federal Programs: School Breakfast Program, COVID-19 - School Breakfast Program, National School Lunch Program, COVID-19 - National School Lunch Program
 CFDA Numbers: 10.553, 10.555
 Federal Award Number and Year (or Other Identifying Number): FY2020
 Pass-Through Entity: Indiana Department of Education
 Compliance Requirement: Program Income
 Audit Findings: Material Weakness, Other Matters

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

Transfers from the School Lunch Clearing Account (8400), a subsidiary account of the Clearing fund (9000), to the School Lunch fund were determined at the end of the month by the Food Service Director. She compared the month end balance of account 8400 to the Customer List with Accounts from WebSMARTT, the School Corporation's point of sales software. The difference was transferred by issuing a negative receipt.

Classifications of program income, posted to the School Lunch fund, were determined by generating a monthly Sales Report from WebSMARTT and determining the amounts earned for each classification. One individual verified that the monthly Sales Reports matched the amount transferred as program income, but it was ineffective. The Sales Report documentation did not match the amounts transferred during the audit period.

The lack of effective internal controls and noncompliance were systemic issues during fiscal year 2019-2020.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

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

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

7 CFR 220.7(e) states in part:

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

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

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 200.302(b)(3) states:

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

Cause

Management had not developed an effective system of internal controls over the transfer of program income to the School Lunch fund.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2020-002

Subject: Special Education Grants to States - Earmarking

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14217-001-PN01, 18611-001-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 2018-001.

Condition and Context

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation was a member of the Adam-Wells Special Services Cooperative (Cooperative). The Cooperative operated the special education programs on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and the School Corporation, the School Corporation is ultimately responsible for compliance with the grant agreement and the earmarking requirements.

The School Corporation did not have adequate procedures in place to ensure that the Cooperative complied with the earmarking requirements. The Cooperative did not have adequate procedures in place to ensure that the required level of expenditures for nonpublic school students with disabilities was met. They also did not have internal controls in place to ensure that documentation to support the calculation of the reported expenditures was maintained and available for audit.

The Non-Public Proportionate Share expenditures reported on the Proportionate Share Quarterly Monitoring Reports for the 14217-001-PN01 and 18611-001-PN01 grant awards could not be verified due to the lack of supporting documentation. Per inquiry, the reported expenditures were calculated by multiplying the applicable monthly reimbursed expenditures by the non-public school usage percentage, which was calculated based on a time study conducted by the prior Director of the Cooperative. The time studies for these grants were not available for audit.

The lack of internal controls and supporting documentation was isolated to the 14217-001-PN01 and 18611-011-PN01 grant awards.

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 sub-recipient. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed, . . ."

NORTHERN WELLS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the earmarking requirements.

Effect

The failure to retain and provide supporting documentation prevented the determination of the School Corporation's compliance with the earmarking requirements of the Matching, Level of Effort, Earmarking compliance requirement.

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 Matching, Level of Effort, Earmarking compliance requirement. Additionally, we recommended that management of the School Corporation establish internal controls to ensure supporting documentation will be maintained and available for audit.

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.

Northern Wells Community Schools
312 N. Jefferson St.
Ossian, IN 46777
Telephone (260) 622-4125

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Contact Person for Corrective Action: Deborah L. Adams, Treasurer
Contact Phone Number: 260-622-4125 ext. 1008

Finding Number: **2018-001; Special Education Cluster (IDEA) – Reporting**

Fiscal year in which the finding occurred: 2016
Status of Audit Finding: Corrected

Northern Wells Community Schools now reviews (initials and dates) the Quarterly Proportionate Share Monitoring Reports for Non-Public Schools prepared by the Adams Wells Special Services Cooperative (AWSSC), along with the supporting documentation. After review, we advise AWSSC of any relative comments and approve Northern Wells Community Schools' portion of the report for submittal to the State.

Finding Number: **2018-002; Child Nutrition Cluster – Program Income**

Fiscal year in which the finding occurred: 2018
Status of Audit Finding: Not Corrected

Northern Wells Community Schools implemented a procedure in which prepaid lunches are placed in a clearing account until such time the student purchases a lunch with those funds.

Finding Number: **2018-003; Child Nutrition Cluster – Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)**

Fiscal year in which the finding occurred: 2018
Status of Audit Finding: Corrected

Northern Wells Community Schools established and now maintains effective internal controls over eligibility determinations for free and reduced applications.

Deborah L. Adams, Treasurer
Date: April 7, 2021

Northern Wells Community Schools

312 North Jefferson Street,
Ossian, IN 46777

Telephone (260) 622-4125
Fax (260) 622-7893

Mike Springer, Superintendent

June 15, 2021

Finding 2020-001

Subject: Child Nutrition Cluster-Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, COVID-19 School Breakfast Program, National School Lunch Program, COVID-19- National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers) FY 2019, FY 2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Other Matters

Contact Person Responsible for Corrective Action: Raina Sisson
Contact Phone Number 260-622-4125

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Northern Wells Community Schools has adjusted its internal controls subsequent to the State Board of Accounts finding referenced above.

When a student brings in a deposit the receipt will be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, we will disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623. The Food Service Director will use the Monthly Sales Report for the amount to transfer. At this point the receipts are considered program income and will be included on any reports that are required to be completed. On a monthly basis, the balance of the 8400 fund will be reconciled with the total of the individual meal accounts.

These transactions will be reviewed (initialed and dated) by the Financial Department and approved by the School Board prior to transferring of funds.

Anticipated Completion Date 05/01/21

Finding 2020-002

Subject: Special Education Grants to States - Earmarking
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Numbers: 84.027
Federal Award Numbers: 14217-001-PN01, 18611-001-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Matching, Level of Effort, Earmarking
Audit Findings: Material Weakness, Modified Opinion

Contact Person Responsible for Corrective Action: Deb Adams
Contact Phone Number 260-622-4125

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The district and Adams-Wells Special Services (AWSS) increased procedures regarding quarterly proportionate share monitoring reports. Quarterly proportionate share monitoring reports are provided to the district from AWSS along with applicable expenditure reports. District personnel review the quarterly reports and return a signed copy to AWSS for submission. The district's management procedures in coordination with AWSSC were modified to establish controls related to the reporting compliance requirements. After implementing corrective action regarding internal controls, AWSSC and the district complete, review, and sign original reporting documents. School corporations within the cooperative review the documents prior to submission to the IDOE.

Anticipated Completion Date: July 1, 2021

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/>.