

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WEST NOBLE SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



FILED
07/08/2021

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Barbara Fought	07-01-18 to 06-30-21
Superintendent of Schools	Galen Mast	07-01-18 to 06-30-21
President of the School Board	Todd Moore Travis Stohlman Joe Hutsell	01-01-18 to 12-31-18 01-01-19 to 12-31-20 01-01-21 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 WEST NOBLE SCHOOL CORPORATION, NOBLE 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 West Noble School Corporation (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 June 2, 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

June 2, 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 WEST NOBLE SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the West Noble School Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 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. Except as discussed below, 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 the Special Education Cluster (IDEA)

As described in item 2020-004 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 the Matching, Level of Effort, Earmarking compliance requirement. 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 the Special Education Cluster (IDEA)

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on the 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 items 2020-002 and 2020-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

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, 2020-002, 2020-003, and 2020-004, 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 June 2, 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 2, 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.

WEST NOBLE SCHOOL CORPORATION
 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					
School Breakfast			FY 2019	\$ -	\$ 140,464	\$ -	\$ -
School Breakfast			FY 2020	-	-	-	113,717
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
FY 2020 School Breakfast Program			FY 2020	-	-	-	9,152
Total - School Breakfast Program				-	140,464	-	122,869
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			FY 2019	-	587,155	-	-
School Lunch			FY 2020	-	-	-	406,970
Commodities			FY 2019	-	107,933	-	-
Commodities			FY 2020	-	-	-	101,185
Sub-total - National School Lunch Program				-	695,088	-	508,155
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
FY 2020 National School Lunch Program			FY 2020	-	-	-	34,757
Total - National School Lunch Program				-	695,088	-	542,912
Summer Food Service Program for Children							
Summer School Food Service	Indiana Department of Education	10.559					
Summer School Food Service			FY 2019	-	14,708	-	-
Summer School Food Service			FY 2020	-	-	-	18,545
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
FY 2020 Summer Food Service Program for Children			FY 2020	-	-	-	157,541
Total - Summer Food Service Program for Children				-	14,708	-	176,086
Total - Child Nutrition Cluster				-	850,260	-	841,867
Total - Department of Agriculture				-	850,260	-	841,867
Department of Education							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
IDEA			18611-044-PN01	-	68,155	-	-
IDEA			19611-044-PN01	-	432,674	-	103,696
IDEA			20611-042-PN01	-	-	-	467,096
Total - Special Education Grants to States				-	500,829	-	570,792

WEST NOBLE SCHOOL CORPORATION
 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
Special Education Preschool Grants	Indiana Department of Education	84.173					
IDEA			19619-044-PN01	-	17,249	-	-
IDEA			20619-042-PN01	-	-	-	17,544
Total - Special Education Preschool Grants				-	17,249	-	17,544
Total - Special Education Cluster (IDEA)				-	518,078	-	588,336
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A170014	-	202,102	-	-
Title I			S010A180014	-	254,336	-	165,344
Title I			S010A190014	-	-	-	208,445
Total - Title I Grants to Local Educational Agencies				-	456,438	-	373,789
English Language Acquisition State Grants	Indiana Department of Education	84.365					
Title III			S365A160014	-	38,363	-	-
Title III			S365A170014	-	13,924	-	46,078
Title III			S365A180014	-	358	-	51,576
Total - English Language Acquisition State Grants				-	52,645	-	97,654
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title IIA			S367A160013	-	36,400	-	-
Title IIA			S367A170013	-	57,821	-	-
Title IIA			S367A180013	-	-	-	58,070
Total - Supporting Effective Instruction State Grants				-	94,221	-	58,070
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			S424A170015	-	-	-	100,000
Total - Department of Education				-	1,121,382	-	1,217,849
<u>Department of Health and Human Services</u>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
Medicaid (MAC)			FY 2019	-	3,813	-	-
Medicaid (MAC)			FY 2020	-	-	-	5,421
Total - Medical Assistance Program				-	3,813	-	5,421
Total - Medicaid Cluster				-	3,813	-	5,421
Total - Department of Health and Human Services				-	3,813	-	5,421
Total federal awards expended				\$ -	\$ 1,975,455	\$ -	\$ 2,065,137

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

WEST NOBLE SCHOOL CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 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 Northeast Indiana Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	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
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Section II - Financial Statement Findings

No matters are reportable.

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III - Federal Award Findings and Questioned Costs

FINDING 2020-001

Subject: Child Nutrition Cluster - Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
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, Summer Food Service Program for Children, COVID-19 - Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2019, FY 2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-003.

Condition and Context

The School Corporation did not properly design and implement a system of internal controls to ensure compliance with requirements related to the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Eligibility

One employee processed the applications and made determinations for free and reduced price meals without a proper system of oversight or review.

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

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

For fiscal year 2018-2019, one employee performed the required verification of free and reduced price applications, including determination changes, without a proper system of oversight or review.

The lack of internal controls over Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) was isolated to 2018-2019.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to properly design and implement an internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls related to the grant agreement and the Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NLSP) 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 2020-002

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, Summer Food Service Program for Children,
COVID-19 - Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): FY 2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

Condition and Context

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

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The School Corporation implemented adequate policies and procedures to ensure that program income was properly recorded; however, these policies and procedures were not followed in fiscal year 2019-2020. Daily food service sales analysis reports, to be used to determine that meals served were properly accounted for as cash sales or prepaid meals applied, did not agree with the transfers made from the Prepaid School Lunch fund to the School Lunch fund. The School Corporation was not able to provide detail to explain the variances between the sales analysis reports and the transfers.

The lack of effective internal controls and noncompliance were isolated to 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 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; . . ."

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 225.6(e) states in part:

"State-Sponsor Agreement. A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

- (12) Maintain a financial management system as prescribed by the State agency; . . ."

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the grant agreement and the Program Income compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with 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 2020-003

Subject: Child Nutrition Cluster - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Programs: National School Lunch Program, COVID-19 - National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): FY 2020
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The paid lunch equity calculations for fiscal year 2019-2020 were prepared by the Food Service Director without a system of oversight, review, or approval before submission to the Indiana Department of Education. Calculations for paid lunch equity were not completed in accordance with the instructions provided.

The lack of an effective internal control system resulted in school lunch prices being increased above the maximum price adjustment allowed. The increase in weighted average lunch prices for 2019-2020 was fifteen cents.

The lack of internal controls and noncompliance were isolated to 2019-2020.

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . .

(4) *Price adjustments.* (i) *Maximum required price increase.* The maximum annual average price increase required under this paragraph shall not exceed ten cents.

(ii) *Rounding of paid lunch prices.* Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.

(iii) *Optional price increases.* A school food authority may increase the average price by more than ten cents. . . ."

Cause

Management had not established an effective system of internal controls that would have ensured compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

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

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish an effective system of internal controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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 2020-004

Subject: Special Education Cluster (IDEA) - 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): 18611-044-PN01, 19611-044-PN01,
20611-042-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 2018-005.

Condition and Context

The School Corporation did not properly design or implement a system of internal controls related to the grant agreement and the earmarking requirement of the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation was a participating member school corporation of the Northeast Indiana Special Education Cooperative (Cooperative). The School Corporation partially prepared the Proportionate Share Monitoring Report, based on school calculations, submitted by the Cooperative. There was no review, oversight, or approval process at the School Corporation level over the preparation of the report.

The School Corporation did not provide audit evidence to test the earmarking requirement for non-public schools proportionate share. Supporting documentation to determine if the earmarking requirement was met for the Proportionate Share Quarterly Monitoring Reports was not properly maintained and presented for audit. The failure to present appropriate audit evidence prevented the determination of the School Corporation's compliance with the earmarking requirement of the Matching, Level of Effort, Earmarking compliance requirement.

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

WEST NOBLE SCHOOL CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

Cause

Management of the School Corporation did develop or implement a system of internal controls to ensure that documentation was maintained and made available for audit relating to the Matching, Level of Effort, Earmarking compliance requirement.

Effect

The failure to design and implement an internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. The failure to maintain supporting documentation prevented the ability to verify if the School Corporation was in compliance with the earmarking requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish internal controls to ensure that documentation was maintained and made available for audit relating to the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

Views of Responsible Officials

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

AUDITEE-PREPARED DOCUMENTS

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

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
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Joe Hutsell, Vice President
David Peterson, Secretary
Kathy Hagen, Member
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 11, 2020

FINDING 2018 -001

PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding: The Finding has been corrected. The Superintendent reviews and signs off on the work papers prepared by the Treasurer. The LEA for the Northeast Indiana Special Education Cooperative supplies the necessary information .

Respectfully Submitted:



Barbara Fought, Director of Finance/Treasurer

11/20/2020
Date

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
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Joe Hutsell, Vice President
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Joe Saggars, Member
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 11, 2020

FINDING 2018-002

FINANCIAL TRANSACTIONS AND REPORTING

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: The Finding has been corrected. Staff members prepare their own timesheets, which are approved by the appropriate supervisor.

Respectfully Submitted:



Barbara Fought, Director of Finance/Treasurer

11/20/2020
Date

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 11, 2020

FINDING 2018-003

CHILD NUTRITION CLUSTER – CASH MANAGEMENT, ELIGIBILITY, REPORTING, SPECIAL TESTS AND PROVISION – VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP)

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding:

CASH MANAGEMENT – The Finding has been corrected. The system developed is for the Treasurer to review with the Food Service Manager the ending month balance in the Fund 0800 School Lunch. The Treasurer and Food Service Manager will sign the work papers. The system was started in August 2018.

ELIGIBILITY – The Treasurer will review and verify the free and reduced applications prepared by the Director of Food Service. Both Individuals will sign the application.

REPORTING – Finding has been corrected. A process has been implemented with the Food Service Director and Treasurer to ensure that information is reviewed and submitted correctly.

Special Test and Provisions – Verification of Free and Reduced Priced Applications (NSLP) - Finding has been corrected after June 30, 2020. A process has been implemented with the Food Service Director and Treasurer to ensure that a second review of application happens.

Respectfully Submitted:



Barbara Fought, Director of Finance/Treasurer

11/20/2020

Date

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 11, 2020

FINDING 2018-004

CHILD NUTRITION CLUSTER – EQUIPMENT

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: The finding has NOT been corrected. West Noble changed systems to track fixed assets and is still setting the system for up for use.

Respectfully Submitted:



Barbara Fought, Director of Finance/Treasurer

11/20/2020
Date

West Noble School Corporation

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SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

November 11, 2020

FINDING 2018-005 SPECIAL EDUCATION CLUSTER (IDEA) – EARMARKING, REPORTING

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: This has NOT been corrected. West Noble is part of a cooperative for special education and DeKalb Eastern is the LEA. West Noble does not receive any of the funds directly. West Noble pays an administrative fee to DeKalb Eastern to maintain the proper internal controls.

Respectfully Submitted:



Barbara Fought, Director of Finance/Treasurer

11/20/2020
Date

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
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David Peterson, Secretary
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Todd Moore, Member
Joe Saggars, Member
Travis Stohlman, Member

FINDING 2020-001

Contact Person Responsible for Corrective Action: Barbara Fought, Treasurer
Contact Phone Number: 260-894-3191, ext 5003

Views of Responsible Official: Concur with Finding

Description of Corrective Action Plan:

Eligibility – The Treasurer reviews and verifies the free and reduced applications prepared by the Director of Food Service. Both Individuals sign the application.

Special Test and Provisions – Verification of Free and Reduced Priced Applications (NSLP) – The Food Service Director reviews free and reduced lunch applications identified for verification. The second review will be performed by the Treasurer. Both individuals will sign the reviewed applications. The Food Service Director will review the preliminary reports prepared by the Data Services from the student information system prior to submission with the IDOE.

Completion Date: July 1, 2021

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

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David Peterson, Secretary
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Travis Stohlman, Member

FINDING 2020-002

Contact Person Responsible for Corrective Action: Barbara Fought, Treasurer
Contact Phone Number: 260-894-3191, ext 5003

Views of Responsible Official: Concur with Finding

Description of Corrective Action Plan:

The School Corporation started using the SkyWard software for the school lunch program for fiscal year 21. The new software can produce the necessary reports to satisfy the proper recording of the transfers from the pre-paid account to Fund 0800.

This corrective action plan is corrected.

Completion Date: July 1, 2020

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

BOARD OF TRUSTEES
Joe Hutsell, President
John Schwartz, Vice President
David Peterson, Secretary
Paul Fought, Member
Todd Moore, Member
Joe Saggars, Member
Travis Stohlman, Member

FINDING 2020-003

Contact Person Responsible for Corrective Action: Barbara Fought, Treasurer
Contact Phone Number: 260-894-3191, ext 5003

Views of Responsible Official: Concur with Finding

Description of Corrective Action Plan:

Special Tests and Provisions: The School Corporation is aware of the internal controls for the Paid Lunch Equity Tool. In 2019, several emails were sent between Joe Olivadoti (SCN Finance – IDOE) and myself regarding the correction of the PLE. However, the file with necessary documentation could not be located. The Director of Food Service will be trained on the internal controls for the PLE.

Completion Date: August 1, 2021

West Noble School Corporation

GALEN MAST, Superintendent
SARAH WILSON, Curriculum Director

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Joe Hutsell, President
John Schwartz, Vice President
David Peterson, Secretary
Paul Fought, Member
Todd Moore, Member
Joe Saggars, Member
Travis Stohlman, Member

FINDING 2020-004

Contact Person Responsible for Corrective Action: Barbara Fought, Treasurer
Contact Phone Number: 260-894-3191, ext 5003

Views of Responsible Official: Concur with Finding

Description of Corrective Action Plan:

It is unclear which entity is responsible for the internal controls on this finding, West Noble School Corporation or the Northeast Indiana Special Education Cooperative. A corrective action plan has been developed by West Noble until a determination on responsibility has been reached.

West Noble School Corporation will retain the information used to report the Proportionate Share Quarterly Reports for the Northeast Indiana Special Education Cooperative. The process is the Treasurer will request from the teacher of record information from the IEP identifying the criteria for services. Treasurer will calculate pay and benefits for services for reporting to the Northeast Indiana Special Education Cooperative. The Superintendent will review the work papers for accuracy. Both the Treasurer and Superintendent will sign work papers.

Anticipated Completion Date: June 30, 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/>.