

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

WARSAW COMMUNITY SCHOOLS

KOSCIUSKO COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**  
07/12/2021



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	April Fitterling Danielle Raber	07-01-18 to 10-20-19 10-21-19 to 06-30-21
Superintendent of Schools	Dr. David A. Hoffert	07-01-18 to 06-30-21
President of the School Board	Heather Reichenbach	07-01-18 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 WARSAW COMMUNITY SCHOOLS, KOSCIUSKO 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 Warsaw 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 June 14, 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 14, 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 WARSAW COMMUNITY SCHOOLS, KOSCIUSKO COUNTY, INDIANA

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

We have audited the Warsaw 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.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2018 to June 30, 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  
(Continued)

**Other Matters**

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

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 item 2020-001, that we consider to be material weaknesses.

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR 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)

**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 14, 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*  
Paul D. Joyce, CPA  
State Examiner

June 14, 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.

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WARSAW 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
Food Service			FY 2018-2019	\$ -	\$ 413,755	\$ -	\$ -
Food Service			FY 2019-2020	-	-	-	279,979
COVID-19 - School Breakfast Program	Indiana Department of Education	10.553					
COVID-19 School Breakfast Program			FY 2019-2020	-	-	-	64,576
Total - School Breakfast Program				-	413,755	-	344,555
National School Lunch Program	Indiana Department of Education	10.555					
Food Service			FY 2018-2019	-	1,494,542	-	-
Food Service			FY 2018-2019	-	24,513	-	-
Commodities			FY 2018-2019	-	262,272	-	-
Food Service			FY 2019-2020	-	-	-	942,346
Food Service			FY 2019-2020	-	-	-	21,309
Commodities			FY 2019-2020	-	-	-	261,351
Sub-Total - National School Lunch Program				-	1,781,327	-	1,225,006
COVID-19 - National School Lunch Program	Indiana Department of Education	10.555					
COVID-19 National School Lunch Program			FY 2019-2020	-	-	-	235,055
Total - National School Lunch Program				-	1,781,327	-	1,460,061
Summer Food Service Program for Children	Indiana Department of Education	10.559					
Food Service			FY 2018-2019	-	82,930	-	-
Food Service			FY 2019-2020	-	-	-	99,727
COVID-19 - Summer Food Service Program for Children	Indiana Department of Education	10.559					
COVID-19 Summer Food Service Program for Children			FY 2019-2020	-	-	-	542,155
Total - Summer Food Service Program for Children				-	82,930	-	641,882
Total - Child Nutrition Cluster				-	2,278,012	-	2,446,498
Total - Department of Agriculture				-	2,278,012	-	2,446,498
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
			14217-045-PN01	-	28,384	-	-
			14218-045-PN01	-	426,738	-	-
			18611-043-PN01	-	28,588	-	142,413
			19611-043-PN01	-	701,292	-	-
			19611-043-PN01	-	363,347	-	509,930
			20611-041-PN01	-	-	-	1,129,023
Total - Special Education Grants to States				-	1,548,349	-	1,781,366

WARSAW 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
Special Education Preschool Grants	Indiana Department of Education	84.173	18619-043-PN01	-	18,052	-	7,390
			45717-043-PN01	-	8,792	-	-
			19619-043-PN01	-	24,958	-	10,522
			20619-041-PN01	-	-	-	23,573
<b>Total - Special Education Preschool Grants</b>				-	<b>51,802</b>	-	<b>41,485</b>
<b>Total - Special Education Cluster (IDEA)</b>				-	<b>1,600,151</b>	-	<b>1,822,851</b>
Adult Education - Basic Grants to States	Indiana Department of Workforce Development	84.002	C1-5-AE-7-130	-	102,789	-	-
			AE9-130	-	-	-	86,143
<b>Total - Adult Education - Basic Grants to States</b>				-	<b>102,789</b>	-	<b>86,143</b>
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010	S010A170014	-	232,253	-	-
			S010A180014	-	221,123	-	610,846
			S010A190014	-	-	-	627,834
<b>Total - Title I Grants to Local Educational Agencies</b>				-	<b>453,376</b>	-	<b>1,238,680</b>
Career and Technical Education - Basic Grants to States	Indiana Department of Education	84.048	18-4700-4415	-	78,098	-	-
			A58-8-18CI-5060	-	86,397	-	-
			18-4700-4415	-	61,025	-	74,106
			19A-4700-4415	-	-	-	34,556
			20-0512-4415	-	-	-	58,141
			20-0512-A012	-	-	-	695
<b>Total - Career and Technical Education - Basic Grants to States</b>				-	<b>225,520</b>	-	<b>167,498</b>
English Language Acquisition State Grants	Indiana Department of Education	84.365	01117-043-PN01	-	15,965	-	-
			01118-041-PN01	-	84,170	-	5,313
			01119-043-PN01	-	6,897	-	-
			01119-043-PN01	-	-	-	66,290
			S365A190014	-	-	-	13,471
<b>Total - English Language Acquisition State Grants</b>				-	<b>107,032</b>	-	<b>85,074</b>
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367	16-4415	-	9,077	-	-
			A58-6-16CI-3434	-	15,189	-	-
			S367A170013	-	151,884	-	6,683
			S367A180013	-	9,885	-	84,581
			S367A18001	-	-	-	47,133
<b>Total - Supporting Effective Instruction State Grants</b>				-	<b>186,035</b>	-	<b>138,397</b>

WARSAW 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
School Improvement Grants	Indiana Department of Education	84.377					
			S377A00120015	-	165,775	-	-
			S377A00180015A	-	94,241	-	178,997
			S377A140015	-	-	-	32,650
				-	260,016	-	211,647
Total - School Improvement Grants				-	260,016	-	211,647
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
			S424A170015	-	75,342	-	24,658
			S424A180015	-	35,361	-	10,688
			S424A190015	-	-	-	5,696
				-	110,703	-	41,042
Total - Student Support and Academic Enrichment Program				-	110,703	-	41,042
Total - Department of Education				-	3,045,622	-	3,791,332
<b>Department of Health and Human Services</b>							
Medicaid Cluster							
Medical Assistance Program	Indiana Department of Education	93.778					
			FY 2018-2019	-	36,553	-	-
			FY 2019-2020	-	-	-	40,422
Medical Assistance Program	Family and Social Services Administration	93.778					
			FY 2018-2019	-	123,445	-	-
			FY 2019-2020	-	-	-	71,937
				-	159,998	-	112,359
Total - Medical Assistance Program				-	159,998	-	112,359
Total - Medicaid Cluster				-	159,998	-	112,359
Total - Department of Health and Human Services				-	159,998	-	112,359
Total federal awards expended				\$ -	\$ 5,483,632	\$ -	\$ 6,350,189

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

WARSAW 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.

WARSAW 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?	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:

CFDA Number	Name of Federal Program or Cluster	Opinion Issued
84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies	Unmodified Unmodified

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

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

No matters are reportable.

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

**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, 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 2018-2019, FY 2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

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 2018-001.

*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 Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. The School Corporation receipted all food service collections into the Prepaid Lunch fund (8400), and then created a transfer from fund 8400 to the School Lunch fund (800). However, charge amounts and cash transactions that went through the Prepaid Lunch fund were improperly omitted from the transfer for each month.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

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; . . ."

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should 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 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

*Cause*

Management had not developed a 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 Program Income compliance requirement could have resulted in the loss of federal funds to the School Corporation.

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

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

#### AUDITEE-PREPARED DOCUMENTS

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



## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2018-001**

Fiscal year in which the finding initially occurred: **2014**

Status of Audit Finding:

#### *Reporting*

The receipts entered on the Annual Financial Report and the total receipts at the corporation level agree.

#### *Program Income*

Internal control procedures were implemented to ensure that Program Income is properly recorded. However, transfers from the Prepaid Lunch fund (8400) did not include all income generated from food service operations during the audit period. After the prior audit, we made the changes requested to transfer all income generated from our Prepaid Lunch fund (8400). However, due to staff turnover and changes in duties, plus the COVID 19 pandemic, the transfer reverted to only being the prepaid amounts. We have corrected our procedure going forward, the transfer will be including charges, and cash sales as well as prepaid amounts like stated.

### **FINDING 2018-002**

Fiscal year in which the finding initially occurred: **2014**

Status of Audit Finding:

After the findings of the 2018 audit and subsequent plan of action to resolve the matter, WCS minimized the amount of split-funded positions. This was due to the fact that, at the time, we were experiencing a record setting 3% unemployment rate, which meant finding employees to work was extremely difficult. As a result, we were not able to completely move away from split-funded positions as we had hoped, but we were able to minimize the number of split funded positions significantly.

For the majority of the 2019-2020 school year Kronos (time-clock software) was used to keep timecards of hourly employees. We then created a form for split funded personnel to fill out that translated the hours from Kronos into FTE and provided documentation of approval by the principals. Unfortunately, in the spring of 2020, the Kronos platform failed to deliver on expectations and the district broke our contract with Kronos and discontinued using the platform. We changed our process slightly to encompass all that was needed into the form that split funded employees turned in through HR to meet the expectations of the action plan. The process has been working smoothly. We also instituted accountability for principals to ensure that signatures were completed on time.

### **FINDING 2018-003**

Fiscal year in which the finding initially occurred: **2018**

Status of Audit Finding:

Upon the withdrawal of a student, a copy of the Transfer Info Page, showing exit codes, is reviewed by one of the two Co-Directors of guidance for approval (signified by a signature). The documentation is then kept in the permanent file of the withdrawn student.



CORRECTIVE ACTION PLAN

**FINDING 2020-001**

Contact Person Responsible for Corrective Action: Marci Franks, Director of FNS  
Danielle Raber, Corporation Treasurer

Contact Phone Number: 574-371-5098 ext. 2403  
574-371-5098 ext. 2451

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Our current internal control procedures have been revised to ensure that program income is properly recorded. Transfers from the Prepaid Lunch fund (8400) to the School Lunch fund (0800) will include all income generated from food service operations, including cash sales and charges to accurately reflect the total income generated.

Anticipated Completion Date:

Implementation of the Corrective Action Plan should take full effect beginning with the transfer dated June 30, 2021 and will continue moving forward.

## 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/>.