

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

FEDERAL COMPLIANCE AUDIT REPORT

OF

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION

NOBLE COUNTY, INDIANA

July 1, 2018 to June 30, 2020



**FILED**  
07/23/2021



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	3-4
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5-7
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards .....	10-11
Notes to Schedule of Expenditures of Federal Awards.....	12
Schedule of Findings and Questioned Costs.....	13-29
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings.....	32
Corrective Action Plan .....	33-36
Other Reports.....	37

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Miranda R. Wilkins (Vacant) Tyler C. Osenbaugh	07-01-18 to 01-24-20 01-25-20 to 02-16-20 02-17-20 to 06-30-21
Superintendent of Schools	Troy A. Gaff	07-01-18 to 06-30-21
President of the School Board	Rodney P. Stayner Eric J. Custer	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 CENTRAL NOBLE COMMUNITY  
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 Central Noble Community 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 10, 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be material weaknesses.

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

***Compliance and Other Matters***


As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001.

***Central Noble Community School Corporation's Response to Finding***

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

***Purpose of This Report***

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

  
Paul D. Joyce, CPA  
State Examiner

June 10, 2021



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

TO: THE OFFICIALS OF THE CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION, NOBLE COUNTY, INDIANA

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

We have audited the Central Noble Community 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 its major federal program for the period of July 1, 2018 to June 30, 2020. The School Corporation's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the School Corporation's major federal program based on our audit of the types of compliance requirements referred to above. 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 the major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

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

***Basis for Qualified Opinion on Child Nutrition Cluster***

As described in items 2020-002, 2020-003, and 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 Child Nutrition Cluster regarding Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts, and Procurement and Suspension and Debarment. Consequently, we were unable to determine whether the School Corporation complied with those requirements applicable to the program.

***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Child Nutrition Cluster 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 2020-006 and 2020-007. Our opinion on the major federal program is not modified with respect to these matters.

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

**Report on Internal Control over Compliance**

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

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

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


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 2020-002, 2020-003, 2020-004, 2020-005, 2020-006, 2020-007, and 2020-008, 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 10, 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 10, 2021

(This page intentionally left blank.)

## 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.

CENTRAL NOBLE COMMUNITY 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
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program							
School Breakfast FY 2018-2019							
School Breakfast FY 2019-2020							
	Indiana Department of Education	10.553	FY 2018-2019	\$ -	\$ 40,457	\$ -	\$ -
			FY 2019-2020	-	-	-	31,341
				<u>-</u>	<u>-</u>	<u>-</u>	<u>31,341</u>
COVID-19 - School Breakfast Program							
FY2019-2020 School Breakfast Program							
	Indiana Department of Education	10.553	FY 2019-2020	-	-	-	2,539
				<u>-</u>	<u>-</u>	<u>-</u>	<u>2,539</u>
Total - School Breakfast Program				<u>-</u>	<u>40,457</u>	<u>-</u>	<u>33,880</u>
National School Lunch Program							
School Lunch							
School Lunch							
Commodities							
Commodities							
	Indiana Department of Education	10.555	FY 2018-2019	-	220,472	-	-
			FY 2019-2020	-	-	-	163,701
			FY 2018-2019	-	52,797	-	-
			FY 2019-2020	-	-	-	33,049
				<u>-</u>	<u>-</u>	<u>-</u>	<u>33,049</u>
Sub-total - National School Lunch Program				<u>-</u>	<u>273,269</u>	<u>-</u>	<u>196,750</u>
COVID-19 - National School Lunch Program							
FY 2019-2020 National School Lunch Program							
	Indiana Department of Education	10.555	FY 2019-2020	-	-	-	14,112
				<u>-</u>	<u>-</u>	<u>-</u>	<u>14,112</u>
Total - National School Lunch Program				<u>-</u>	<u>273,269</u>	<u>-</u>	<u>210,862</u>
Summer Food Service Program for Children							
Food Service							
Food Service							
	Indiana Department of Education	10.559	FY 2018-2019	-	12,022	-	-
			FY 2019-2020	-	-	-	13,203
				<u>-</u>	<u>-</u>	<u>-</u>	<u>13,203</u>
COVID-19 - Summer Food Service Program for Children							
FY2019-20 Summer Food Service Program for Children							
	Indiana Department of Education	10.559	FY2019-2020	-	-	-	166,190
				<u>-</u>	<u>-</u>	<u>-</u>	<u>166,190</u>
Total - Summer Food Service Program for Children				<u>-</u>	<u>12,022</u>	<u>-</u>	<u>179,393</u>
Total - Child Nutrition Cluster				<u>-</u>	<u>325,748</u>	<u>-</u>	<u>424,135</u>
Total - Department of Agriculture				<u>-</u>	<u>325,748</u>	<u>-</u>	<u>424,135</u>

CENTRAL NOBLE COMMUNITY 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
<b>Department of Education</b>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Federal Part B 611			18611-044-PN01	-	35,329	-	-
Federal Part B 611			19611-044-PN01	-	218,198	-	52,294
Federal Part B 611			20611-042-PN01	-	-	-	253,845
Total - Special Education Grants to States				-	253,527	-	306,139
Special Education Preschool Grants	Indiana Department of Education	84.173					
Federal Part B 619			19619-044-PN01	-	6,089	-	-
Federal Part B 619			20619-042-PN01	-	-	-	6,514
Total - Special Education Preschool Grants				-	6,089	-	6,514
Total - Special Education Cluster (IDEA)				-	259,616	-	312,653
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			18-6055	-	56,807	-	-
Title I			19-6055	-	130,976	-	75,671
Title I			20-6055	-	-	-	103,762
Total - Title I Grants to Local Educational Agencies				-	187,783	-	179,433
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Title II Part A			17-6055	-	12,734	-	-
Title II Part A			18-6055	-	4,440	-	30,501
Title II Part A			19-6055	-	10,744	-	13,343
Total - Supporting Effective Instruction State Grants				-	27,918	-	43,844
Student Support and Academic Enrichment Program	Indiana Department of Education	84.424					
Title IV			18-6055	-	-	-	5,066
Total - Student Support and Academic Enrichment Program				-	-	-	5,066
Total - Department of Education				-	475,317	-	540,996
Total federal awards expended				\$ -	\$ 801,065	\$ -	\$ 965,131

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

CENTRAL NOBLE COMMUNITY 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). 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 for the School Corporation. This activity is reported on the financial statement of the Cooperative.

CENTRAL NOBLE COMMUNITY 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?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

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

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

**FINDING 2020-001**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness, Noncompliance

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-002.

*Condition and Context*

The School Corporation had not established internal controls over the federal award information entered in the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the SEFA.

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

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

1. The Child Nutrition Cluster expenditures were understated by \$94,166.
2. The Student Support and Academic Enrichment Program expenditures were omitted, which understated expenditures by \$5,066.
3. The Supporting Effective Instruction State Grants expenditures were understated by \$25,153.
4. The Title I Grants to Local Educational Agencies expenditures were overstated by \$6,882.
5. Other errors included incorrect program names, pass-through entities, and identifying numbers.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control . . ."

2 CFR 200.62 states in part:

"*Internal control over compliance requirements for Federal awards* means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards:

- (a) Transactions are properly recorded and accounted for, in order to:
  - (1) Permit the preparation of reliable financial statements . . ."

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

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

*"Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

*Cause*

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

*Effect*

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA included the errors identified in the *Condition and Context*.

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

*Views of Responsible Officials*

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

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

**FINDING 2020-002**

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts  
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, COVID-19 - Summer Food Service Program  
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 Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, Special Tests and Provisions - School Food Accounts  
Audit Findings: Material Weakness, Modified Opinion

*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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program costs were supported by proper documentation, were allowable, and solely for the operation and improvement of the food service program.

The School Corporation entered a cost-reimbursement contract with a food service management company (FSMC) to oversee the School Corporation's food service operations. Twenty-one ledger lines of non-payroll related expenditures to the food service management company, which totaled \$109,567, were selected for testing. Supporting documentation was presented for \$106,293 of the costs invoiced. Due to the lack of documentation, we were unable to determine if the remaining costs paid, \$3,274, were allowable expenditures, and, therefore, proper uses of program income for the federal programs. Additionally, we identified 26 unallowable expenditures, categorized as meals and entertainment, in the amount of \$754. The total questioned costs identified for non-payroll related expenditures amounted to \$4,028.

In addition, we identified 24 rebates in the amount of \$17,246 that were unable to be verified due to the lack of documentation. The rebates were not included in the amount considered as questioned costs.

Four months of payroll related expenditures to the food service management company, which totaled \$88,219, were selected for testing. Adequate supporting documentation was not presented for any of the payroll costs. Due to the lack of documentation, we were unable to determine if the payroll costs selected for testing were allowable expenditures, and, therefore, proper uses of program income for federal programs. The total questioned costs identified for payroll related expenditures amounted to \$88,219.

The lack of internal controls, noncompliance, and failure to maintain adequate supporting documentation of program costs were systemic issues throughout the audit period.

CENTRAL NOBLE COMMUNITY 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 210.21(f) states in part:

". . . (ii)(A) The contractor must separately identify for each cost submitted for payment to the school food authority the amount of that cost that is allowable (can be paid from the nonprofit school food service account) and the amount that is unallowable (cannot be paid from the nonprofit school food service account); or

(B) The contractor must exclude all unallowable costs from its billing documents and certify that only allowable costs are submitted for payment and records have been established that maintain the visibility of unallowable costs, including directly associated costs in a manner suitable for contract cost determination and verification;

(iii) The contractor's determination of its allowable costs must be made in compliance with the applicable Departmental and Program regulations and Office of Management and Budget cost circulars; . . .

(vi) The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department. . . ."

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: . . .

(1)(ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service . . .

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

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

7 CFR 210.14 states in part:

"(a) *Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part.  
. . .

(c) *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. . . .

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance or that supporting documentation would have been maintained and made available for audit related to the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

*Effect*

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the compliance requirements listed above.

*Questioned Costs*

Known questioned costs in the amount of \$92,247 were identified in the *Condition and Context*.

*Recommendation*

We recommended that the School Corporation's management establish internal controls to ensure that documentation will be maintained and made available for audit related to the grant agreement and the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, and Special Tests and Provisions - School Food Accounts compliance requirements.

*Views of Responsible Officials*

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

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

***FINDING 2020-003***

Subject: School Breakfast Program, National School Lunch Program - 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 2018-2019, FY 2019-2020  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Program Income  
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 2018-004.

*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.

The School Corporation entered a cost-reimbursement contract with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, was solely responsible for entering school lunch prices into the point of sale (POS) system. The School Corporation did not have internal controls in place to ensure that school lunch prices were properly entered into the POS system. The amounts charged for paid breakfast and paid lunch for students was not correct during the audit period.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the food service program sales were properly recorded in the School Lunch fund. One individual prepared and recorded receipts with no evidence of a review or approval process to ensure that receipts generated from cafeteria sales were properly recorded. The School Corporation established a Food Service Trust fund maintained in the School Corporation accounting records, which accounted for student prepaid meal accounts. Based on sales activity reports, an amount of money identified as program income for the Child Nutrition Cluster programs was transferred to the School Lunch fund monthly. The School Corporation made a total of 16 transfers during the audit period to transfer program income from the Food Service Trust fund. One of four transfers did not agree with the sales activity report. Additionally, the monthly transfer of program income was not made for six months during the period of January 1, 2020 to June 30, 2020. This resulted in program income being understated by \$57,777.

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:

CENTRAL NOBLE COMMUNITY 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). . . ."

7 CFR 210.14 states in part:

"(a) *Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*). . . ."

(c) *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: . . ."

(1)(ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service *Except that*, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*); . . ."

(3) Price the breakfast as a unit; . . ."

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

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 Administrator 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 material noncompliance to go undetected. Noncompliance with the grant agreement and the 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 2020-004**

Subject: Child Nutrition Cluster - Procurement

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, COVID-19 - Summer Food Service Program

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: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

CENTRAL NOBLE COMMUNITY SCHOOL CORPORATION  
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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation entered a cost-reimbursement contract with a food service management company (FSMC) to oversee the School Corporation food service operations. The School Corporation did not have policies or procedures to ensure compliance with procurement requirements to verify that the invoices submitted to the School Corporation were those actually paid by the FSMC, or to ensure that the FSMC invoices included credits for any discounts, rebates, or other credits. The School Corporation did not request, nor did the FSMC provide, documentation to verify that the invoices received by the School Corporation resulted from and contained the same invoices that were paid by the FSMC. The School Corporation also did not verify the return of discounts, rebates, or credits from the FSMC.

The lack of internal controls and noncompliance were systemic issues throughout the FSMC contract period during 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). . . ."

7 CFR 210.21(f)(1)(vi) states: "The contractor must maintain documentation of costs and discounts, rebates and other applicable credits, and must furnish such documentation upon request to the school food authority, the State agency, or the Department."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

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

*Recommendation*

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

*Views of Responsible Officials*

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

**FINDING 2020-005**

Subject: School Breakfast Program, National School Lunch Program - Cash Management  
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 2018-2019, FY 2019-2020  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Finding: Material Weakness

*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 Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund monthly cash balances (net cash resources) did not exceed three months average expenditures.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a system of internal controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management 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 and comply with the grant agreement and the Cash Management 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 2020-006**

Subject: School Breakfast Program, National School Lunch Program - Eligibility

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 2018-2019, FY 2019-2020

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Eligibility

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 2018-003.

*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 Eligibility compliance requirement.

The School Corporation entered a cost-reimbursement contract with a food service management company (FSMC) to oversee the School Corporation's food service operations. Paper applications were entered by one FSMC employee without review or oversight to ensure accurate data entry. Additionally, the electronic system determined eligibility based on the eligibility criteria entered by the FSMC. The School Corporation did not have a process or internal controls in place to ensure that the FSMC adhered to the eligibility criteria guidelines issued by the state. For fiscal year 2018-2019, the eligibility criteria was not properly entered into the electronic system to determine eligibility for paper and online applications.

The School Corporation had not established a process or internal controls to ensure that direct certifications were performed at or around the beginning of the school year, three months after initial effort, and six months after initial effort. The School Corporation provided one direct certification report for audit for each school year that included all students who were directly certified.

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

The lack of internal controls and noncompliance, except for proper input of eligibility criteria which was isolated to 2018-2019, 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). . . ."

7 CFR 245.3(b) states in part:

"Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. Local educational agencies must include these eligibility criteria in their policy statement as required under § 245.10 and it must be publicly announced in accordance with the provisions of § 245.5. . . ."

7 CFR 245.6(a) states in part:

"*General requirements-content of application and descriptive materials.* Each local educational agency, as defined in § 245.2, for schools participating in the National School Lunch Program, School Breakfast Program . . . shall provide meal benefit forms for use by families in making application for free or reduced price meals or free milk for their children. . . ."

- (3) *Electronic availability.* In addition to the distribution of applications and descriptive materials in paper form as provided for in this section, the local educational agency may establish a system for executing household applications electronically and using electronic signatures. The electronic submission system must comply with the disclosure requirements in this section . . ."

7 CFR 245.6(b) states in part:

". . . (3) *Frequency of direct certification contacts with SNAP.* . . ."

(ii) (A) Beginning in School Year 2011-2012, at a minimum, all local educational agencies must conduct direct certification as follows:

- (1) At or around the beginning of the school year;
- (2) Three months after the initial effort; and
- (3) Six months after the initial effort.

(B) The information used shall be the most recent available.

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

(iii) The names of all newly enrolled children and all children not certified for free meals shall be submitted for the direct certification required in paragraph (b)(3)(ii)(B) and paragraph (b)(3)(ii)(C) of this section. Newly enrolled children must be provided with application materials in order to alleviate a delay in receipt of free meals or free milk if direct certification for these children cannot be completed promptly upon enrollment.

(iv) State agencies are encouraged to conduct direct certification more frequently to obtain information about newly enrolled children or children who may be newly certified for that program's benefits.

- (4) *Frequency of direct certification with other programs.* Local educational agencies opting to conduct direct certification activities with FDPIR or TANF should conduct such activities at or around the beginning of the school year. Obtaining information about foster, homeless, migrant, or runaway children or Head Start enrollees should be done, at a minimum, at or around the beginning of the school year and when newly enrolled children or children newly eligible for those programs are being certified."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Eligibility compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Eligibility 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 a system of internal controls and comply with the grant agreement and the Eligibility compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2020-007**

Subject: School Breakfast Program, National School Lunch Program - Special Tests and Provisions - Verification of Free and Reduced Price Applications

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 2018-2019, FY 2019-2020

Compliance Requirement: Special Tests and Provisions - Verification of Free and Reduced Price Applications

Audit Findings: Material Weakness, Other Matters

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

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-006.

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

The School Corporation entered a cost-reimbursement contract with a food service management company (FSMC) to oversee the School Corporation's food service operations. The Food Service Director, an employee of the FSMC, performed the verification of free and reduced-price applications with no evidence of a review or approval process monitored by the School Corporation.

The verification process was performed on a predetermined percentage of applications. For fiscal year 2018-2019, one of four applications was incorrectly verified which resulted in an ineligible individual receiving benefits.

The lack of internal controls was a systemic issue, which occurred throughout the audit period. The noncompliance was isolated to 2018-2019.

*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 245.6a(f)(7) states:

*"Eligibility changes.* Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications compliance requirement.

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

*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 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 with and comply with grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications 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 2020-008**

Subject: National School Lunch Program - 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 Numbers and Years (or Other Identifying Numbers): FY 2018-2019, FY 2019-2020  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2018-007.

*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 2018-2019 and 2019-2020 were prepared by the Food Service Director without a system of oversight, review, or approval before submission of the calculation to the Indiana Department of Education.

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

CENTRAL NOBLE COMMUNITY 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). . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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 and comply 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.

(This page intentionally left blank.)

#### AUDITEE-PREPARED DOCUMENTS

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



# Central Noble Community School Corporation

Central Noble Elementary    Central Noble Junior-Senior High School    Central Noble Primary

p. 260-636-2175  
f. 260-636-7918

www.centralnoble.k12.in.us

200 E. Main St.  
Albion, IN 46701

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**FINDING 2018-001**

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

- 1) The Business Manager reconciles the monthly bank statements which is reviewed and initialed by the Corporation Secretary or the Deputy Treasurer in the absence of the Secretary. This process was initiated in Jan 2018 and continued from that time.
- 2) The Business Manager prepares the deposit slip which is reviewed by the Corporation Secretary (or the Deputy Treasurer) and initials off. These procedures were initiated in Jan 2018.

Payroll Disbursements are prepared by the Deputy Treasurer and reviewed by the Business Manager and the Superintendent prior to submission to the bank. This is completed electronically via email with documentation retained.

**FINDING 2018-002**

Fiscal year in which the finding initially occurred: 2014

This finding has not been corrected at this time. The 2021 AFR grant schedule will be reviewed by someone other than the Business Manager prior to submission to address this finding.

**FINDING 2018-003**

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding: This issue was partially addressed as the Business Manager reviews and approves the thresholds for free and reduced price applications in Meal Magic utilized by the contracted food service manager. Periodic reviews and audits are conducted by the Information Coordinator and the Business Manager but were not documented. Procedures for documenting and retaining the documentation have been developed.

**FINDING 2018-004**

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

Meal prices are presented and approved by the School Board however there were no controls to ensure the approved prices were properly entered into Meal Magic by the contracted food service provider. Additionally, there were no controls to validate the transfers from prepaid school lunch accounts (8410) to the school lunch fund (0800). Controls are being developed and will be implemented.

**FINDING 2018-005**

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

The Business Manager approves monthly claims via email prior to submission and ensures properly annotated on the Annual Financial Report.

**FINDING 2018-006**

Fiscal year in which the finding initially occurred: 2014

Status of Audit Finding:

The Food Services Director is responsible for verifying eligibility for free/reduced meals. School Corporation had not implemented adequate controls to ensure compliance with Special tests and provisions - verification of Free and Reduced-Price applications.

**FINDING 2018-007**

Fiscal year in which the finding initially occurred: 2016

Status of Audit Finding:

The PLE calculator was utilized by the Food Service Provider to determine the meal price and the proposed price was provided and discussed and approved in the June Board Meeting however the School Corporation did not review the PLE calculator nor validate the prices entered into Meal Magic.

**FINDING 2018-008**

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Central Noble is part of the Northeast Indiana Special Education Cooperative which receives our grant and prepares the Proportionate Share Monitoring Report. The thirteen-member School Superintendents meet on a monthly basis to ensure oversight is maintained.

**FINDING 2018-009**

Fiscal year in which the finding initially occurred: 2018

Status of Audit Finding: Central Noble is part of the Northeast Indiana Special Education Cooperative which receives our grant and oversees the Matching Level of Effort, Earmarking compliance requirements. The thirteen-member School Superintendents meet on a monthly basis to ensure oversight is maintained.





# Central Noble Community School Corporation

Central Noble Elementary Central Noble Junior-Senior High School Central Noble Primary

☎ p. 260-636-2177  
f. 260-636-2791  
🌐 [www.centralnoble.k12.in.us](http://www.centralnoble.k12.in.us)  
🏠 302 Cougar Ct.  
Albion, IN 46701

## CORRECTIVE ACTION PLAN

### **FINDING 2020-001**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh  
Contact Phone Number: 260-636-2175

We concur with the finding:

Description of Corrective Action Plan: The information regarding federal awards will be entered into the Annual Financial Report and printed for review by the Superintendent or his designated representative prior to submission into Gateway.

Anticipated Completion Date: Not later than 15 AUG 2021

### **FINDING 2020-002**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh  
Contact Phone Number: 260-636-2175

We concur with the finding:

Description of Corrective Action Plan: Our Food Service Director (Chartwells' Director of Dining Services) and the school Business Manager will review and validate the supporting documentation for all food service related purchases on a monthly basis. The documentation will include payroll information and non-payroll expenditures, including vendor deliveries. Copies of the supporting data will be retained by the Business Manager to ensure records are available for future audits. The review will occur prior to the monthly school board meeting and the payment of Chartwells invoice.

Anticipated Completion Date: 15 JUN 2021

### **FINDING 2020-003**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh  
Contact Phone Number: 260-636-2175





# Central Noble Community School Corporation

Central Noble Elementary Central Noble Junior-Senior High School Central Noble Primary

 p. 260-636-2177  
f. 260-636-2791  
 [www.centralnoble.k12.in.us](http://www.centralnoble.k12.in.us)  
 302 Cougar Ct.  
Albion, IN 46701

We concur with the finding:

Description of Corrective Action Plan:

Charging Approved Prices: The Food Service Director will continue to utilize the Paid Lunch Equity (PLE) Calculator in coordination with IDOE to determine meal prices. The meal prices will be rounded to the nearest 5 cents in accordance with USDA guidance. The Business Manager will validate the PLE calculator information and present the results for School Board approval. Once approved, the Food Service Director will input the price into our Point-of-Sale system (Meal Magic) and submit a screen captured image to the Business Manager for validation. On a periodic basis the Information Coordinator will ensure the lunch prices in Meal Magic remain unchanged.

Recording Program Income: The Superintendent will designate the Food Service Manager as the second set of eyes to validate the amount for the transfer from the Food Service Trust fund to the School Lunch fund. Additionally, these transfers will be routinized to occur on a monthly basis.

Anticipated Completion Date: 13 JUL 2021

## **FINDING 2020-004**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh  
Contact Phone Number: 260-636-2175

We concur with the finding:

Description of Corrective Action Plan: Credits for returns, discounts and rebates are credited to Chartwells and subsequently to Central Noble Schools. Chartwells will provide the supporting records for these credits to the Business Manager for validation monthly. The Food Service Director (Chartwells' Director of Dining Services) and the school Business Manager will review and validate the supporting documentation for all food service related purchases on a monthly basis.

Anticipated Completion Date: 13 JUL 2021

## **FINDING 2020-005**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh  
Contact Phone Number: 260-636-2175

We concur with the finding:



@CentralNobleSchools



@CentralNobleSchools



@CentralNoble



# Central Noble Community School Corporation

Central Noble Elementary Central Noble Junior-Senior High School Central Noble Primary

☎ p. 260-636-2177  
f. 260-636-2791

🌐 [www.centralnoble.k12.in.us](http://www.centralnoble.k12.in.us)

🏠 302 Cougar Ct.  
Albion, IN 46701

Description of Corrective Action Plan: The Business Manager will calculate the three-month average expenditure for the School Lunch Fund based on the prior fiscal year. The balance will be assessed monthly during the transfer from the Food Service Trust fund to the School Lunch Fund. If the balance is projected to be above the 3-month average expenditure a spend plan will be developed for approval with IDOE. Additionally, the Business Manager will review of the PLE calculation to ensure the information is consistent with the meal charges on the Z report from Meal Magic.

Anticipated Completion Date: 13 JUL 2021

## **FINDING 2020-006**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh  
Contact Phone Number: 260-636-2175

We concur with the finding:

Description of Corrective Action Plan: We will continue to utilize the functionality of Meal Magic to allow for online applications for eligibility for free and reduced meals. The Food Service Director will enter the parameters from the USDA into the Meal Magic system and provide a copy of input to the Business Manager. The Business Manager and the Information Coordinator will validate these with the guidance from USDA. The students that qualify for direct certification will be entered at the beginning of the school year and validated quarterly by the Food Service Director and validated by the Information Coordinator. Paper applications will be entered by the Food Service Director and turned over to the Information Coordinator for validation within Meal Magic.

Anticipated Fall 2021

## **FINDING 2020-007**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh  
Contact Phone Number: 260-636-2175

We concur with the finding:

Description of Corrective Action Plan: The Food Service Representative will continue to verify the Special Tests and Provisions meet the threshold for Free and Reduced status. The Information Coordinator will review the USDA thresholds and validate the predetermined sample identified for verification. In the





# Central Noble Community School Corporation

Central Noble Elementary Central Noble Junior-Senior High School Central Noble Primary

☎ p. 260-636-2177  
f. 260-636-2791

🌐 [www.centralnoble.k12.in.us](http://www.centralnoble.k12.in.us)

🏠 302 Cougar Ct.  
Albion, IN 46701

event the Food Service Representative is unable to obtain the required information from the applicant, the Information Coordinator will contact the family prior to changing our determination.

Anticipated Completion Date: 1 September 2021

### **FINDING 2020-008**

Contact Person Responsible for Corrective Action: Tyler Osenbaugh

Contact Phone Number: 260-636-2175

We concur with the finding:

Description of Corrective Action Plan: All information required for submission to IDOE, including the Paid Lunch Equity Calculator, is provided to the Business Manager for review. After the calculation has been reviewed and approved, the Food Service Director inputs the information into the IDOE portal and emails a screen shot for a comparison review to the Business Manager prior to submission. Upon approval, it is submitted into the IDOE portal and then verified a final time by the Business Manager on CNP Website.

Anticipated Completion Date: 13 JUL 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/>.