

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NEW PRAIRIE UNITED SCHOOL CORPORATION

LAPORTE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
04/29/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer/Treasurer	Kelly Kitchen (Vacant)	07-01-16 to 12-03-16 12-04-16 to 01-10-17
Director of Finance/Treasurer	James Holifield	01-11-17 to 06-30-19
Superintendent of Schools	Dr. Paul White	07-01-16 to 06-30-19
President of the School Board	Richard Shail	07-01-16 to 12-30-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NEW PRAIRIE UNITED SCHOOL
CORPORATION, LAPORTE COUNTY, INDIANA

This report is supplemental to our audit report of the New Prairie United School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

March 20, 2019

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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. The prior audit finding number was 2016-001.

Condition

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

The School Corporation failed to properly review the federal grant information prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA. One employee prepared and submitted the federal grant information without proper oversight or review in order to detect and correct errors before submission.

Context

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

1. The School Breakfast Program expenditures were overstated by \$29,522 for the year ended June 30, 2017, and understated by \$6,383 for the year ended June 30, 2018.
2. The National School Lunch Program expenditures were overstated by \$422,331 and \$5,412 for the years ended June 30, 2017 and 2018, respectively.
3. The Summer Food Service Program for Children expenditures were overstated by \$11,136 and \$130 for the years ended June 30, 2017 and 2018, respectively.
4. The National School Lunch Program - Commodities were overstated by \$8,181 for the year ended June 30, 2017, and understated by \$54,001 for the year ended June 30, 2018.
5. The Special Education Grants to States expenditures were overstated by \$26,420 for the year ended June 30, 2017.
6. The Special Education Preschool Grants expenditures were understated by \$1,484 for the year ended June 30, 2017.
7. The Title I Grants to Local Educational Agencies expenditures were overstated by \$844,614 for the year ended June 30, 2018.
8. The Twenty-First Century Community Learning Centers expenditures were overstated by \$483,487 for the year ended June 30, 2018.
9. The English Language Acquisition State Grants expenditures were overstated \$8,870 for the year ended June 30, 2018.

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

10. The Supporting Effective Instruction State Grants expenditures were understated by \$7,824 for the year ended June 30, 2017, and overstated by \$123,588 for the year ended June 30, 2018.
11. One federal program did not have the correct federal grantor agency and one federal program did not have the correct program title.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

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

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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 sub recipient, 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 sub recipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation's management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls to ensure that federal expenditures will be properly reported on the SEFA.

Views of Responsible Officials

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

FINDING 2018-002

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

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments

One employee was responsible for ensuring that the School Corporation's ledger was reconciled with the bank depository balances. There was no segregation of duties, such as an oversight or review process.

Receipts

One employee recorded receipts without evidence of oversight or review to ensure the accuracy and classification of the receipts to the proper fund and account.

Disbursements

One employee generated the debt payments without evidence of oversight or review to ensure the accuracy and classification to the proper fund and account. Furthermore, the debt payments were not approved by the governing board.

One employee entered the wages and hours worked for employees into the computerized accounting system without evidence of a proper system of oversight or review to ensure that employees were paid the correct amounts from the proper funds.

Financial Reporting

The School Corporation submitted their financial information to the Indiana Department of Education, which is the source for their financial statement. The School Corporation implemented a new financial software system in March 2017. The School Corporation had designed controls over the financial transactions and reporting; however, the controls were not effective. The lack of effective controls allowed errors on the financial statement to remain undetected as follows:

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Fund	Receipts Overstatement (Understatement)	Disbursements Overstatement (Understatement)	Ending Balance Overstatement (Understatement)
<u>2016-2017</u>			
General	\$ (166,997)	\$ (128,055)	\$ (38,942)
Exempt Debt	667,218	3,197,123	(2,529,905)
Exempt Pension Debt	301,299	-	301,299
Capital Projects	(329,063)	(45,185)	(283,878)
School Transportation	452,590	-	452,590
School Bus Replacement	(43,421)	-	(43,421)
School Lunch	(69,226)	-	(69,226)
Textbook Rental	(120)	(359)	239
Educational License Plates	(56)	-	(56)
NPUSC Industrial Tech	(176)	-	(176)
2016 Summer School Enrichment	2,970	-	2,970
Secured Schools Safety Grant	30,000	-	30,000
<u>2017-2018</u>			
General	\$ (737,376)	\$ (754,570)	\$ 17,194
Construction	(2,097,765)	(2,097,765)	-
NPUSC Activity Ctr	(7,492)	(7,492)	-
IN Preschool Grants	-	(36,036)	36,036
Secured Schools Safety Grant 2017-2018	(2,667)	(33,769)	31,102
Non-English Speaking Program	2,688	-	2,688
ELL NESP 7/1/17-6/11/18	(5,375)	(3,312)	(2,063)
Healthy From the Start	(156,534)	(78,265)	(78,269)
High Ability Grant 7/1/17-6/30/18	-	(1,146)	1,146
21st Cent Learn Center Title IV 2016-17	(671)	(25,345)	24,674
21st Cent Learn Center Title IV 2017-18	(40,692)	(16,017)	(24,675)
Title IIA 2016-2018	(1,453)	(8,853)	7,400
Title III 8/31/17-9/30/18	-	(1,555)	1,555

Audit adjustments were proposed, accepted by the School Corporation, and made to the financial statement.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance regarding financial reporting was a systemic issue throughout the audit period. The noncompliance regarding disbursements was isolated to the debt payments.

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:

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

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

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

Cause

The School Corporation had not established a proper system of internal control related to cash and investments, receipts, disbursements, and financial reporting.

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish and properly implement effective controls enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to cash and investments, receipts, disbursements, and financial reporting.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Eligibility,
Special Tests and Provisions - School Food Accounts

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Eligibility, Special
Tests and Provisions - School Food Accounts

Audit Finding: Material Weakness

Condition

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

Activities Allowed or Unallowed

The School Corporation implemented a new software system in October 2017. An effective internal control system was not properly implemented to ensure that food service employees' payroll, approved by the Food Service Director, was recorded in the School Lunch fund.

Eligibility

The School Corporation used a food service software, which automatically made the eligibility determinations dependent upon the information entered into the software. The software vendor entered the federal income guidelines parameters into the food service software system without a proper system of oversight or review by the School Corporation.

Special Tests and Provisions - School Food Accounts

A school food account was established for the School Corporation; however, an oversight or review process to ensure that accurate amounts were recorded in the school food account had not been established.

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue throughout the audit period regarding Eligibility and Special Tests and Provisions - School Food Accounts. The lack of controls over Activities Allowed or Unallowed was a systemic issue throughout the 2017-2018 school year.

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

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

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch
Program, Summer Food Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition

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

The School Corporation implemented a new software system in October 2017. There was not a properly implemented control, such as an oversight or review process, to ensure that the food service employees' payroll approved by the Food Service Director was recorded in the School Lunch fund.

A process to review the disbursements posted to the School Lunch fund had been established; however, it was not effective. The School Corporation failed to receive prior approval from the federal pass through agency for the purchase of equipment over \$5,000. The purchase of equipment, which included the use of program income funds, totaled \$235,575.

Context

The lack of controls and the noncompliance were systemic issues throughout the audit period. Equipment purchased totaled \$235,575, which is 8 percent of program disbursements.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.439 states in part:

". . . (b) The following rules of allowability must apply to equipment and other capital expenditures: . . .

(2) Capital expenditures for special purpose equipment are allowable as direct costs, provided that items with a unit cost of \$5,000 or more have the prior written approval of the Federal awarding agency or pass-through entity. . . ."

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.307(e) states in part:

"Use of program income. If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. . . . When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures. . . .

- (2) *Addition.* With prior approval of the Federal awarding agency (except for IHEs and nonprofit research institutions, as described in paragraph (e) of this section) program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award. . . ."

7 CFR 210.14(a) states:

"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.*)."

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.*); . . ."

Cause

The School Corporation's management had not developed an effective internal control structure that would have ensured compliance with the grant agreement and the compliance requirements listed above.

Effect

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

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish effective internal controls to ensure compliance and comply with the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2018-005

Subject: Child Nutrition Cluster - Equipment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Equipment and Real Property Management

Audit Findings: Material Weakness, Other Matters

Condition

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 equipment requirements.

A year-end inventory was prepared by school food service employees at the individual schools. There was not a properly implemented control, such as an oversight or review process, to ensure that the year-end inventory was reconciled to the property records and to ensure that disposals were properly recorded.

Disposals were not properly recorded in the equipment management records. The School Corporation had not requested the disposal instructions from the awarding agency and did not maintain the required information regarding the disposals.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

2 CFR 200.313 states in part:

". . . (d) Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . .

(e) Disposition. When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

(1) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls that would have ensured compliance with the equipment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Equipment and Real Property 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 2018-006

Subject: Child Nutrition Cluster - Procurement

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition

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

The School Corporation did not always obtain price and rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

Context

The lack of controls was a systemic issue throughout the audit period. The noncompliance was isolated to the vendors tested under the small purchase procedures.

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). . . ."

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.320 states in part:

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

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish 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 2018-007

Subject: Twenty-First Century Community Learning Centers - Activities
Allowed or Unallowed, Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years (Or Other Identifying Numbers): A58-6-16DL-3059, A58-7-17DL-057,
S287C150014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

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 compliance requirements listed above.

The School Corporation implemented a new software system in October 2017. There was not a properly implemented control, such as an oversight or review process, to ensure that program employees' payroll approved by the grant manager was recorded in the proper fund.

There was also not an effective control in place to ensure that all expenditures were for allowable activities and allowable costs.

The former Treasurer generated a fictitious invoice and accounts payable voucher for \$4,500 in postage. This improper amount was included in a reimbursement request and was subsequently reimbursed by the grantor agency, and is therefore, considered questioned costs.

Context

The lack of controls over payroll was a systemic issue throughout the audit period. The fraudulent disbursement was an isolated incident.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles. . . .
- (g) Be adequately documented. See also §§ 200. 300 Statutory and national policy requirements through 200.309 Period of performance of this part."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Questioned Costs

Known questioned costs of \$4,500 were identified in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

FINDING 2018-008

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles, Cash Management, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-057-PN01, 14217-057-PN01,
18611-057-PN01, 45716-057-PN01,
45717-057-PN01, 18619-057-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

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

The School Corporation had not established an effective internal control system related to the grant agreement and the compliance requirements listed above. The Cooperative prepared journal entries when an adjustment or transfer was necessary. One employee prepared the journal entries without a review or oversight process in place.

Health insurance costs were recorded in the grant funds annually. When the Cooperative's new software system was implemented in April 2016, the insurance costs were also recorded in the grant funds during each payroll. This resulted in duplicate health insurance costs recorded and subsequently

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

reimbursed by the grantor agency for the months of April through September 2016. Cooperative officials generated a journal entry to adjust for duplicate costs of \$154,803 on the August 2016 reimbursement request, which covered the months of April through August. Additional duplicate health insurance costs of \$26,616 were requested and reimbursed for September 2016. The duplicate costs for September 2016 were not adjusted on a subsequent reimbursement request.

Reimbursements of allowable expenditures of the 2016 preschool grant were received from the grantor agency. Subsequently, officials determined that the 2015 preschool grant had monies remaining so a portion of the 2016 grant costs were transferred to the 2015 preschool grant fund. School Corporation officials adjusted the 2016 grant reimbursement requests to avoid duplicate reimbursements. However, officials did not adjust the 2016 reimbursement requests for all of the transferred costs. There was an additional \$1,647 not included in an adjusted reimbursement request, which resulted in duplicate costs.

The duplicate costs of \$28,263 detailed above were considered questioned costs.

Context

The lack of controls was isolated to the journal entries. The noncompliance was isolated to the insurance costs and preschool grant costs described above.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.402 states: "The total cost of a Federal award is the sum of the allowable direct and allocable indirect costs less any applicable credits."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items
- (g) Be adequately documented. . . ."

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.305(b) states in part:

"For non-Federal entities other than states, payments methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. . . .

- (3) Reimbursement is the preferred method when the requirements in paragraph (b) cannot be met, when the Federal awarding agency sets a specific condition per § 200.207 Specific conditions, or when the non-Federal entity requests payment by reimbursement. . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting . . ."

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

Effect

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

Questioned Costs

Known questioned costs of \$28,263 were identified in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the grant agreement and the Allowable Costs/Cost Principles, Cash Management, and Reporting compliance requirements.

Views of Responsible Officials

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

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-009

Subject: Special Education Cluster (IDEA) - Earmarking, Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-057-PN01, 14217-057-PN01,
18611-057-PN01, 45716-057-PN01,
45717-057-PN01, 18619-057-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Matching, Level of Effort, Earmarking; Reporting

Audit Findings: Material Weakness, Modified Opinion

Condition

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

An effective internal control system was not in place at the School Corporation to ensure compliance with the grant agreement and the earmarking and reporting requirements.

The School Corporation had not established an effective review process to ensure that the supporting documentation for earmarking and reporting was retained. The review process did not detect errors in which the final report was not supported by the Cooperative's financial records.

Earmarking - Non-Public Proportionate Share

The School Corporation did not ensure that the Cooperative retained the supporting documentation used to calculate the amount of special education and related services that was provided to students in nonpublic schools and facilities; therefore, we were unable to determine compliance with the earmarking requirements.

Reporting - Proportionate Share Monitoring Reports

The School Corporation did not ensure that the Cooperative retained the supporting documentation used to report the amount of special education and related services that was provided to students in nonpublic schools and facilities; therefore, we were unable to determine the accuracy of the reports.

Reporting - Part B (611) Final Report and Part B (619) Final Report

The Part B (611) Final Report for grant 14216-055-PN01 did not agree with the Cooperative's ledger. The amount reported for certified salaries was understated \$110,500 compared to the ledger, and employee benefits was overstated \$110,350.

The Part B (619) Final Report for grant 45716-055-PN01 did not agree with the School Corporation's ledger. The amount reported for certified salaries was understated \$2,375 compared to the ledger, and employee benefits was overstated \$2,375.

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of 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). . . ."

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

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

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

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:
. . . ."

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting"

2 CFR 200.333 states in part:

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

4 CFR 76.730 states:

"A State and a subgrantee shall keep records that fully show:

- (a) The amount of funds under the grant or subgrant;

NEW PRAIRIE UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (b) How the State or subgrantee uses the funds;
- (c) The total cost of the project;
- (d) The share of that cost provided from other sources; and
- (e) Other records to facilitate an effective audit."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation had not established a proper internal control structure that would have ensured compliance with the grant agreement and the reporting requirements for final reports, and would have ensured that documentation was maintained and available for audit related to the earmarking and reporting requirements for non-public school proportionate share.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the reporting requirements could have resulted in the loss of federal funds to the School Corporation. Additionally, the failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the earmarking and reporting requirements related to non-public schools proportionate share.

Questioned Costs

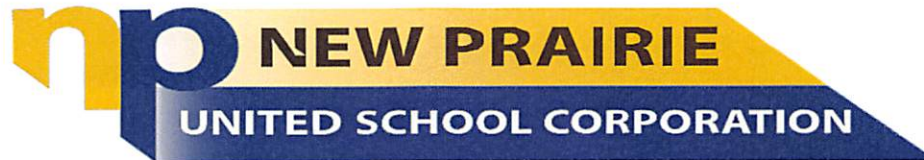
There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the compliance requirements listed above. Additionally, we recommended that management of the School Corporation establish controls to ensure supporting documentation will be maintained and available for audit.

Views of Responsible Officials

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



CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Jim Holifield
Contact Phone Number: 574-654-0206

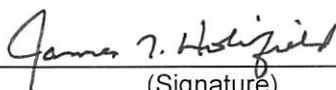
Views of Responsible Official: While some internal controls were put in place in 2017, additional internal controls appear necessary.

Description of Corrective Action Plan:

Prior to submitting the Schedule of Expenditures for Federal Awards (SEFA) in Gateway, the Director of Finance will:

1. Review and gather approval of information related to Food Service (School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children, and National School Lunch Program Commodities) from Food Service Director and document same.
2. Review and gather approval of information related to Special Education (Special Education Grants to States, Special Education Preschool Grants) from CFO of LEA (LaPorte Community School Corporation) and document same.
3. Review and gather approval of Grants (Title I, Title II-A, Title III, Title IV, and 21st Century Community Learning Centers) from Grant Coordinator and document same.
4. Grants Manager will review SEFA schedule after it is entered into Gateway by Director of Finance and document same.

Anticipated Completion Date: August, 2019



(Signature)

Director of Finance
(Title)

03/20/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-002

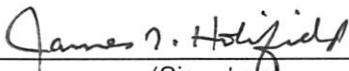
Contact Person Responsible for Corrective Action: Jim Holifield
Contact Phone Number: 574-654-0206

Views of Responsible Official: The financial management system we put in place in March of 2017 has robust review and approval procedures; further internal controls appear necessary.

Description of Corrective Action Plan:

1. All reports related to Cash and Investments (i.e., bank reconcilements), Receipts, Disbursements, and Financial Reporting will be reviewed and approved by two members of the Business Department and document same.
2. Bank reconcilements will be prepared by Business Office and reviewed by Director of Finance and document same.
3. Receipts will be entered by Business Office and reviewed by Dir. of Finance and document same.
4. Payroll Distribution report will be reviewed by Director of Finance and document same.
5. After Form 9 is submitted by Director of Finance and accepted by IDOE, another member of the Business Office will review and document same.
6. All Debt/Lease payments will be approved by the NPUSC Board of Trustees at time of payment.

Anticipated Completion Date: March, 2019



(Signature)

Director of Finance
(Title)

03/20/2019
(Date)



Nutritional Services Department

Mike Hale, Director

574-654-0401

mikehale@npusc.k12.in.us

CORRECTIVE ACTION PLAN

FINDING: 2018-003

Contact Person Responsible for Corrective Action: Mike Hale

Contact Phone Number: 574-654-0401

Activities Allowed or Unallowed

Views of Responsible Official:

It is the opinion of the Nutritional Services Director (NSD) that although the New World Financial System has numerous internal controls built into its software, it is now apparent that additional controls confirming the use of the pre-existing controls is now necessary.

Description of Corrective Action Plan:

Upon reset of time cards or time card report, the Business Office will produce the Journal Register Report and electronically via email send it to the NSD. The NSD will review the Journal Register Report confirming that all payroll being dispersed from the Lunch Fund (800) account is accurate and only for employees from the Nutritional Services Department. After reviewing the Journal Register Report the NSD will respond to the email using the term **“Approved”** if the NSD agrees with the dispersion or **“Vetoed”** if the NSD finds an issue. Upon veto, the dispersion will be put on hold and the NSD and Business Office will discuss the found issue. Upon the issue being cleared the NSD will approve the vetoed email and dispersion will resume.

Anticipated Completion Date: March 1, 2019

Eligibility

Views of Responsible Official:

It is the opinion of the NSD that proper internal controls where not being followed.

Description of Corrective Action Plan:

The NSD will take a screenshot or make a copy of the page inside the eligibility software that indicates the parameters by which eligibility will be determined. The NSD and Nutritional Services Administrative Assistant will review and compare the numbers entered into the software to the federal guidelines for the current school year that will be found and printed from the IDOE website. Upon approval, the individual will initial and date both documents. Upon veto, the individual will return the document for review/revision. Upon revision approval, the documents will be scanned and saved.

Anticipated Completion Date: March 1, 2019

Special Tests and Provisions - School Food Accounts

Views of Responsible Official:

It is the opinion of the NSD that approval by the School Board was a sufficient internal control with acceptable risk; it is now apparent that additional controls are deemed necessary.

Description of Corrective Action Plan:

Upon a monthly review, the NSD will receive the Accounts Payable Invoice report from the Business Office via email. The NSD will review the Accounts Payable Invoice Report confirming that all dispersed funds from the Lunch Fund (800) account are accurate and only for Nutritional Services Department accounts and invoices. After reviewing the Accounts Payable Invoice Report the NSD will respond to the email using the term "***Approved***" if the NSD agrees with the dispersion or "***Vetoed***" if the NSD finds an issue. Upon veto, the Accounts Payable Invoice Report will be put on hold and prevented from being presented to the School Board for approval and the NSD and Business Office will discuss the found issue. Upon the issue being cleared the NSD will approve the vetoed email and approval will resume.

Anticipated Completion Date: March. 1, 2019



Mike Hale
Nutritional Services Director
3-20-2019



Nutritional Services Department

Mike Hale, Director

574-654-0401

mikehale@npusc.k12.in.us

CORRECTIVE ACTION PLAN

FINDING: 2018-004

Contact Person Responsible for Corrective Action: Mike Hale

Contact Phone Number: 574-654-0401

Views of Responsible Official:

It is the opinion of the NSD that the Long Range Equipment Plan was interpreted as approval for purchase. Therefore, proper procedures were not followed.

Description of Corrective Action Plan:

The NSD will establish the following procedure. Before purchases of equipment with a cost of \$5,000 or more, the NSD will Request For Quote(RFQ) from no less than 3 vendors for the unit wanting to be purchased. The NSD and NSD Administrative Assistant will review the RFQ's or failure to respond to RFQ and determine the best unit for the department using price as the highest factor, but not the sole factor, in the process of determining which available quote to use. The NSD will then present a request for purchase form to the IDOE, via email, using the form on the IDOE website. Upon approval of the purchase from the IDOE, the NSD will proceed with the purchase.

Anticipated Completion Date: March 1, 2019

Mike Hale

Nutritional Services Director

3-20-2019



Nutritional Services Department

Mike Hale, Director

574-654-0401

mikehale@npusc.k12.in.us

CORRECTIVE ACTION PLAN

FINDING: 2018-005

Contact Person Responsible for Corrective Action: Mike Hale

Contact Phone Number: 574-654-0401

Views of Responsible Official:

It is the opinion of the NSD that proper internal controls were not in place.

Description of Corrective Action Plan:

The NSD will establish the following procedure. All disposed or dispersed equipment will be properly documented and approved by IDOE when necessary. The disposal or dispersion will be documented and stored in a file named Equipment Disposal and Discernment and indicate the corresponding school year. If funds are made available through the disposal of surplus equipment, said funds will be deposited into the 800 Fund, per regulatory guidelines. A year-end inventory will be conducted by the site managers and signed. The inventory will indicate the proper location and model number of the equipment. The inventory will be reviewed by the Site Team Lead and initialed. The signed and initialed inventory will be spot reviewed by the NSD and initialed. Upon completion the inventory will be filed with the corresponding school year.

Anticipated Completion Date: March 1, 2019

A handwritten signature in black ink, appearing to read 'Mike Hale', is written above the printed name.

Mike Hale

Nutritional Services Director

3-20-2019



Nutritional Services Department

Mike Hale, Director

574-654-0401

mikehale@npusc.k12.in.us

CORRECTIVE ACTION PLAN

FINDING: 2018-006

Contact Person Responsible for Corrective Action: Mike Hale

Contact Phone Number: 574-654-0401

Views of Responsible Official:

It is the opinion of the NSD that proper internal controls were not in place.

Description of Corrective Action Plan:

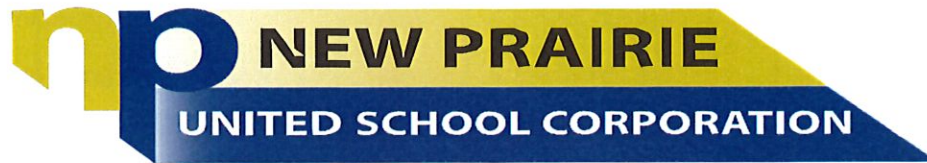
The NSD will establish the following procedure. All Small Purchases will be accompanied by an RFQ that is dispersed to no less than 3 reasonable vendors if three reasonable vendors exist. If more than 1 RFQ is returned the NSD and NSDAA (Administrative Assistant) will review the RFQS and score them. Using a 100 point system in which price is the highest but not sole variable, the NSD will reward the request to the highest scoring bid. All RFQ 's will be filed together along with any supporting documents used to determine the purchase. The review process will be conducted by the NSD and NSDAA and through this review be considered approved. If the purchases exceed established thresholds by the IDOE or NPUSC School Board, the selected RFQ along with any requested supporting documents will be sent to the necessary authority or individual upon at which time an email chain will be established. The chain will indicate: Submitted for Approval and Approved by the proper individuals

Anticipated Completion Date: March 1, 2019

Mike Hale

Nutritional Services Director

3-20-2019



CORRECTIVE ACTION PLAN

FINDING 2018-007

Contact Person Responsible for Corrective Action: Jim Holifield
Contact Phone Number: 574-654-0206

Views of Responsible Official: The payroll software system we put in place in October of 2017 has robust review and approval procedures; further internal controls appear necessary.

Description of Corrective Action Plan:

All expenditures related to grant agreements, Activities Allowed/Unallowed, and Allowable Costs/Cost Principles compliance requirements will be reviewed and approved by two members of the NPUSC Business Department (Grants Coordinator and Director of Finance).

Payroll Distribution report will be reviewed by Director of Finance and document same.

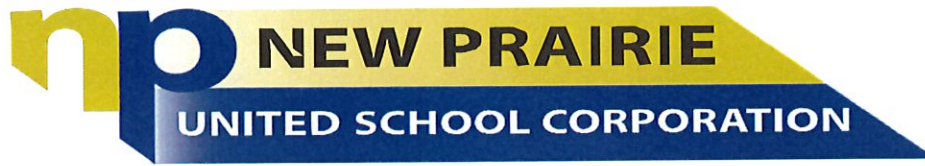
Anticipated Completion Date: March, 2019



(Signature)

Director of Finance
(Title)

03/20/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-008

Contact Person Responsible for Corrective Action: Jim Holifield
Contact Phone Number: 574-654-0206

Views of Responsible Official: Additional internal controls are needed beyond what is already in place with our Fiscal Agency (South LaPorte County Special Education Cooperative).

Description of Corrective Action Plan:

We will request (from the Co-Op) the Expenditures/Disbursements documentation regarding insurance and preschool grants; this documentation will be verified to ensure grant compliance.

Anticipated Completion Date: April, 2019

A handwritten signature in black ink that reads "Jim Holifield".

(Signature)

Director of Finance
(Title)

03/20/2019
(Date)



CORRECTIVE ACTION PLAN

FINDING 2018-009

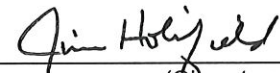
Contact Person Responsible for Corrective Action: Jim Holifield
Contact Phone Number: 574-654-0206

Views of Responsible Official: Additional internal controls are needed beyond what is already in place with our Fiscal Agency (South LaPorte County Special Education Cooperative).

Description of Corrective Action Plan:

We will request (from the Co-Op) the documentation regarding earmarking and reporting requirements; this documentation will be verified to ensure grant compliance. Supporting documents will be retained and available for audit.

Anticipated Completion Date: April, 2019



(Signature)

Director of Finance
(Title)

03/20/2019
(Date)

NEW PRAIRIE UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The same comment also appeared in the prior Reports B45535 and B49480.

The financial statement presented in the Financial Statement and Single Audit Report of the School Corporation included the following funds with an overdrawn cash balance at June 30, 2017 and 2018, which was not attributed to timing of reimbursements.

Fund	Amount Overdrawn as of June 30	
	2017	2018
Construction	\$ -	\$ 108,806
Textbook Rental	351,733	363,095
2016 Summer School Enrichment	16,728	8,290
Secured Schools Safety Grant	30,000	30,000
Secured Schools Safety Grant 2017-2018	-	5,355
Non-English Speaking Program	1,344	1,346
Title I 2016-2017	-	113
21st Cent Learn Center Title IV 2015-16	24	24
21st Cent Learn Center Title IV 2016-17	-	3,747
Clearing Fund	16,675	-
Payroll Deductions	71,130	17,557
Pro Card Clearing Account	-	1,860

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

CREDIT CARDS

A similar comment also appeared in prior Report B49480, entitled *CREDIT CARD DISCREPANCIES*.

The School Board approved the use of credit cards for authorized individuals in Corporation Policy and Administrative Guidelines #6423. Policy #6423 states in part: D. "After use, school credit cards are to be returned to the Superintendent or designee along with appropriate receipt copies (not credit card billing statement) of all charges."

The School Corporation did not follow their approved policy. We found the following exceptions:

1. The School Corporation had 36 credit cards distributed to various employees. These cards were not returned to the Superintendent of Schools or custodian after each use. A log or other record was not properly maintained to account for the use and return of each card.
2. The School Corporation used credit cards to bypass the normal claim process for many types of expenditures. The School Corporation purchased goods and services of \$321,041 and \$438,332, for the years ended June 30, 2017 and 2018, respectively, with credit cards.
3. The School Corporation paid approximately \$8,024 in sales tax during the audit period for various purchases.

NEW PRAIRIE UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

4. The School Corporation had five designated Promotional Supplies accounts (all for the Individual schools) in their ledger. There is also an account called Office of the Superintendent - Other Expenses in which some of the other promotional items were recorded.
5. There were promotional type expenditures paid with a credit card in April 2018 totaling \$420. We could not determine if the School Corporation had exceeded the maximum promotional expenditure amount allowed by statute.

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The SBOA will not take exception to the use of credit cards by a unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance/resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the governing body.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance/resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the responsible person.
- (5) The designated responsible official or employee must maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned.
- (6) Credit cards must not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing body and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment cannot be made on the basis of a statement or a credit card slip only. Procedures for payments must be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee may be the personal obligation of that officer or employee.
- (8) If authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Government funds are exempt from the payment of sales taxes on qualifying purchases.

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

NEW PRAIRIE UNITED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 20-26-5-4(a)(3) states:

"To appropriate from the school corporation's general fund an amount, not to exceed the greater of three thousand dollars (\$3,000) per budget year or one dollar (\$1) per pupil, not to exceed twelve thousand five hundred dollars (12,500), based upon the school corporation's ADM of the previous year (as defined in [IC 20-43-1-7](#)) to promote the best interests of the school corporation through:

- (A) the purchase of meals, decorations, memorabilia, or awards;
- (B) provision for expenses incurred in interviewing job applicants; or
- (C) developing relations with other governmental units."

NEW PRAIRIE UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2019, with Dr. Paul White, Superintendent of Schools; James Holifield, Director of Finance/Treasurer; Phillip King, School Board member; Dr. Carrie Cannon, Assistant Superintendent of Schools; Ellen Borkowski, Financial Services/Deputy Treasurer; Shelly Dettinger, Payroll/ Human Resources Coordinator; Jaclyn Conley, Business Services; and Mike Hale, Director of Nutrition Services.