

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Warden School District No. 146-161 September 1, 2017 through August 31, 2018

**2018-001    The District did not have adequate controls to ensure it reported accurate meal counts for reimbursement from programs in the Child Nutrition Cluster.**

<b>CFDA Number and Title:</b>	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.559 – Summer Food Service Program For Children
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

#### *Description of Condition*

The District participates in the Community Eligibility Provision (CEP) of the School Breakfast, National School Lunch, and Summer Food Service Program for Children programs, and received \$597,757 to administer the programs during the 2017-2018 school year. CEP is a four-year alternative reimbursement option that reduces the burden of processing applications, simplifies meal counting and claiming procedures, and allows schools with high numbers of participating low-income children to serve meals at no cost to all students. The Office of Superintendent of Public Instruction (OSPI) reimburses the District's incurred costs by applying the annual average claiming percentages for free, reduced-price and full-cost meals calculated from the base year meal count data.

Federal regulations require recipients of federal awards to establish and maintain effective internal controls to ensure compliance with program requirements. These

controls include knowledge of grant requirements and monitoring of program controls.

The District did not have adequate controls over the accuracy of meal counts reported to OSPI for reimbursement. Lunchroom staff did not accurately post served meals to monthly summaries for reporting, and management had no review process to check the accuracy of claims submitted to OSPI for reimbursement.

We consider this weakness in internal controls to be a significant deficiency.

This issue was reported as a finding in the prior audit as finding 2017-001.

### ***Cause of Condition***

The District experienced turnover in the staff position responsible for meal count reporting and did not provide sufficient training and oversight to ensure compliance with federal requirements. In addition, District staff were unaware of adult meal reporting requirements.

Our prior audit reported this deficiency in internal controls over the District's reporting; however, the audit occurred after a majority of school year 2017-2018 meal counts had been reported to OSPI. As a result, the District could not implement audit recommendations during the current audit period.

### ***Effect of Condition and Questioned Costs***

Insufficient internal controls over reporting increases the risk that the District will report inaccurate meal counts to OSPI and receive more or less funding than allowed for actual meals served. We tested five months of reimbursement requests and identified that the District misreported nine student breakfasts and 985 student lunches.

We also found that the District misreported 21 adult breakfasts and 507 adult lunches. While adult meals do not affect the District's funding, OSPI requires the District to report these meals with the monthly meal counts.

### ***Recommendation***

We recommend the District establish internal control procedures, including a review of the daily and monthly meal counts, to ensure the accuracy of meal counts reported to OSPI for reimbursement.

## ***District's Response***

*In response to the audit finding, the District acknowledges the oversight in the counting process. Corrective measures have been implemented but not in time to address in the 17-18 Fiscal year. This is the same audit finding received for the prior year not audited until May 2018. This did not give the district ample time to make the corrective measures to address the counting process.*

## ***Auditor's Remarks***

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

## ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, *Compliance Audits*, paragraph 11.

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 *Audit findings*, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Section 303 *Internal Controls*, specifies the internal control requirements and standards for federal awards. It further requires the entity must comply with Federal statutes, regulations and terms of conditions of the federal awards.

Title 7 CFR, Part 245, *Determining Eligibility For Free And Reduced Price Meals And Free Milk In Schools*, Section 245.9 *Special assistance certification and reimbursement alternatives*, sets forth the requirements of Community Eligibility Provision to use alternative counting and claiming procedures.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Warden School District No. 146-161 September 1, 2017 through August 31, 2018

#### **2018-002    The District did not have adequate internal controls to ensure compliance with federal suspension and debarment requirements.**

<b>CFDA Number and Title:</b>	10.553 – School Breakfast Program 10.555 – National School Lunch Program 10.559 – Summer Food Service Program For Children
<b>Federal Grantor Name:</b>	U.S. Department of Agriculture
<b>Federal Award/Contract Number:</b>	NA
<b>Pass-through Entity Name:</b>	Office of Superintendent of Public Instruction
<b>Pass-through Award/Contract Number:</b>	NA
<b>Questioned Cost Amount:</b>	\$0

#### ***Description of Condition***

The District participates in the School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children and received \$597,757 to administer them during the 2017-2018 school year.

Federal regulations require recipients of federal awards to establish and maintain effective internal controls to ensure compliance with program requirements. These controls include knowledge of grant requirements and monitoring of program controls.

Federal requirements prohibit grant recipients from contracting with parties who have been suspended or debarred from doing business with the federal government. To comply with this requirement, the District must verify that contractors receiving \$25,000 or more in federal awards have not been suspended or debarred. This verification may be accomplished by obtaining a written certification from the contractor or inserting a clause in the contract in which the contractor states it is not suspended or debarred. Alternatively, the District may review the federal

Excluded Parties List (EPLS) maintained by the General Services Administration. The District must perform the verification before entering into the transaction.

The District had policies and procedures in place for suspension and debarment verification; however, they were not effective to ensure compliance with grant requirements.

We consider this control deficiency to be a material weakness. This issue was not reported as a finding in the prior audit.

### ***Cause of Condition***

In previous years, the business office confirmed contractors to not be suspended or debarred; however, due to re-organization of administrative responsibilities, the Food Service Director became responsible for contract management during the 2017-2018 school year. The Food Service Director was not aware of the change in responsibility to perform the verification.

### ***Effect of Condition and Questioned Costs***

The District paid a contractor \$28,811 using program funds, but could not demonstrate it verified the contractor had not been suspended or debarred. Any payments of program funds to a contractor that has been suspended or debarred would be unallowable and subject to recovery by the grantor.

We were able to verify the contractor was not suspended or debarred, therefore we are not questioning costs for these payments.

### ***Recommendation***

We recommend the District strengthen internal controls over its verification process to ensure all contractors paid \$25,000 or more using federal funds are not suspended or debarred from doing business with the federal government.

### ***District's Response***

*The Warden School District did not have adequate internal controls to ensure compliance with procurement, suspension and debarment requirements. The District will check and retain support of suspension and debarment prior to expending \$25,000 or more with vendors when using federal funds. The District will also either add a Suspension/Debarment clause in the contract or will run the SAM check before the contract is signed.*

### ***Auditor's Remarks***

We appreciate the District's commitment to resolve this finding and thank the District for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

### ***Applicable Laws and Regulations***

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516 Audit findings, establishes reporting requirements for audit findings.

Title 2 CFR Part 200, Uniform Guidance, section 303 – Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

Title 2 CFR Part 200, Uniform Guidance, section 213 – Suspension and debarment, establishes suspension and debarment requirements.

Title 2 CFR Part 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement) establishes non-procurement debarment and suspension regulations, implementing Executive Orders 12549 and 12689.