

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

SOUTHWEST PARKE COMMUNITY  
SCHOOL CORPORATION  
PARKE COUNTY, INDIANA

July 1, 2012 to June 30, 2014



**FILED**  
04/07/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2014-001 - Internal Controls and Compliance Over Financial Transactions and Reporting .....	4-5
Finding 2014-002 - Internal Control Over Procurement and Suspension and Debarment .....	5-6
Finding 2014-003 - Internal Control Over Title I - Reporting .....	6
Finding 2014-004 - Cash Management and Reporting .....	7-8
Corrective Action Plan.....	9-11
Exit Conference .....	12

#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cheri L. Peacock	07-01-12 to 06-30-16
Superintendent of Schools	Dr. Leonard R. Orr	07-01-12 to 06-30-16
President of the School Board	Steven Shawn Brown	07-01-12 to 06-30-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTHWEST PARKE COMMUNITY  
SCHOOL CORPORATION, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Southwest Parke Community School Corporation (School Corporation), for the period from July 1, 2012 to June 30, 2014. 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/](http://www.in.gov/sboa/).

Any Corrective Action Plan for the Federal Findings, incorporated within this report, were not verified for accuracy.

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

February 18, 2016

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - INTERNAL CONTROLS AND COMPLIANCE  
OVER FINANCIAL TRANSACTIONS AND REPORTING***

We noted several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the School Corporation's financial statement and then determining how those identified risks should be managed. The School Corporation has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement. The failure to establish these controls and perform the control activities resulted in the financial statement containing material errors.
2. **Preparation of the Schedule of Expenditures of Federal Awards (SEFA):** The Treasurer did not have a proper system of internal control in place to prevent or detect errors on the SEFA. During the audit of the SEFA, we noted the following errors: The Child Nutrition funds awarded by the Department of Agriculture and the Education Jobs Fund and Special Education funds awarded from the Department of Education were not listed. Title I, Part A and Rural Education awards from the Department of Education were not listed with the proper name of the award or the accurate amount of the award. The SEFA included state grants that should not have been reported. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states in part:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. 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 award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual 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 shall 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."

***FINDING 2014-002 - INTERNAL CONTROL OVER PROCUREMENT  
AND SUSPENSION AND DEBARMENT***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program and National School Lunch Program  
CFDA Number: 10.553 and 10.555  
Pass-Through Entity Year: For Year 2012-2013 and Year 2013-2014  
Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Procurement and Suspension and Debarment compliance requirements.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

We recommended that the School Corporation's officials establish and implement effective internal controls over procurement and suspension and debarment to ensure compliance and to comply with Procurement and Suspension and Debarment requirements of the programs.

***FINDING 2014-003 - INTERNAL CONTROL OVER TITLE I - REPORTING***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Pass-Through Entity Number and Year: 10-6260, 11-6260, 12-6260; and 13-6260  
for Years 2012, 2013, and 2014

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and reporting for Title I. Control activities should be selected and developed at various levels to reduce risks of error and/or fraud related to federal award programs. The School Corporation has separated incompatible activities within the managing of the requirements for the Title I federal award programs; however, no documentation was available to allow us to determine that the control was implemented and operating effectively. Per the School Corporation, the reimbursement requests are being prepared by the Treasurer and reviewed by the Program Administrator before being sent to the Department of Education. However, no documentation was available to verify this.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management establish controls, including having more than one person review reports being submitted for the Title I program.



SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

**FINDING 2014-004 - CASH MANAGEMENT AND REPORTING**

Federal Agency: Department of Education

Federal Program: Special Education\_Grants to States and Special Education\_Preschool Grants

CFDA Number: 84.027, 84.173

Federal Award Number and Year (or Other Identifying Number): 14211-008-PN01, 14212-008-PN01,  
14213-008-PN01, 14214-008-PN01,  
99999-008-PN01, 45711-008-PN01,  
45712-008-PN01, 45713-008-PN01,  
45714-008-PN01

Pass-Through Entity: Indiana Department of Education

The School Corporation is a member of the Special Education District (Cooperative). The Cooperative operates the Special Education program and manages the Special Education grant funds.

Management of the Cooperative has not established an effective internal control system, which includes segregation of duties, related to the grant agreement and Cash Management and Reporting compliance requirements that have a direct and material effect on the programs.

Requests for reimbursement were prepared and filed by the Cooperative's Treasurer. The Cooperative has not designed or implemented adequate policies and procedures to ensure that required reports are accurately prepared and that the expenditures submitted for reimbursement were paid prior to the request.

Requests for reimbursement are not based on the actual amounts paid. The Cooperative Treasurer used the year to date expenses paid per the appropriation report less reimbursements already received to request reimbursement.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

34 CFR 80.21 states in part:

"(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205.

(d) *Reimbursement.* Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

31 CFR 205.12 (b)(5) states:

"Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial Reporting.* Accurate, current and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation's management develop and implement procedures to establish controls to monitor the Cooperative to ensure compliance with the compliance requirements listed above.

**SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION**

Montezuma Elementary      Rosedale Elementary      Riverton Parke Jr./Sr. High School

**4851 S. Coxville Road  
Montezuma, Indiana 47862**

Voice 765-569-2073

Fax 765-569-0309

**Leonard Orr**  
Superintendent of Schools

**Cheri Peacock**  
Corporation Treasurer

**Leslie Shaffer**  
Corporation Deputy Treasurer  
Corporation Secretary

**CORRECTIVE ACTION PLAN  
March 18, 2015**

**FINDING 2014-001**

Contact Person Responsible for Corrective Action: Cheri Peacock, Corporation Treasurer  
Contact Phone Number: 765-569-2073

Description of Corrective Action Plan:

**When preparing the financial records the treasurer and deputy treasurer will make sure that the Form 9 reconciles with the June 30 and December 31 fund balances before it is submitted. We will sign off that both of us agree with the totals by initialing and dating our file copies.**

**Using the prior report for guidance, the treasurer and deputy treasurer will review grants and make sure all grants and related information is included on the SEFA (federal report). If we have questions, we will contact State Board of Accounts for assistance. We will use Catalog of Federal Domestic Assistance website, <https://www.cfda.gov/>, to verify the proper name and CFDA number is used on the report.**

Anticipated Completion Date: **We will do this before August 31, 2015, when the annual report is due.**

**FINDING 2014-002**

Contact Person Responsible for Corrective Action: Cheri Peacock, Corporation Treasurer  
Contact Phone Number: 765-569-2073

Description of Corrective Action Plan:

**If we use a vendor recommended by Hospital Purchasing Service, we will ask for documentation that the vendor recommended is not suspended or disbarred. If we anticipate spending \$25,000 with a vendor we contact, we will check their status online ourselves at <https://www.sam.gov/portal/public/SAM>. Documentation showing we have checked vendor status will be placed on file.**

Anticipated Completion Date: **Immediately**

**FINDING 2014-003**

Contact Person Responsible for Corrective Action: Cheri Peacock, Corporation Treasurer  
Contact Phone Number: 765-569-2073

Description of Corrective Action Plan:

**We will prepare a verification sign off sheet for each report submitted to the Indiana Department of Education. Both the Treasurer and the Title I Program Director will check the data and sign off on the sheet.**

Anticipated Completion Date: **Immediately**

Cheri L. Peacock  
(Signature)

Treasurer  
(Title)

March 18, 2015  
(Date)

**SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION**

*Montezuma Elementary      Rosedale Elementary      Riverton Parke Jr./Sr. High School*

**4851 S. Coxville Road  
Montezuma, Indiana 47862**

*Voice 765-569-2073*

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**Leonard Orr**  
*Superintendent of Schools*

**Cheri Peacock**  
*Corporation Treasurer*

**Leslie Shaffer**  
*Corporation Deputy Treasurer  
Corporation Secretary*

**CORRECTIVE ACTION PLAN**

**FEBRUARY 18, 2016**

**FINDING 2014-004 – CASH MANAGEMENT AND REPORTING**

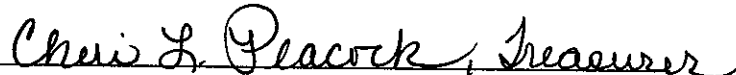
Contact Person(s) Responsible for Corrective Action: Cheri Peacock, Corporation Treasurer  
Leonard R. Orr, Superintendent


Both Treasurer and Superintendent will work with Covered Bridge Special Education Cooperative to ensure that they will establish internal controls over cash management and reporting.

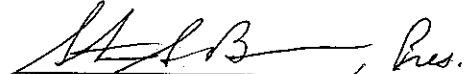
The Treasurer and Superintendent will work with the Covered Bridge Special Education Cooperative to ensure that reimbursement requests are based on actual expenditures and are reviewed or approved prior to the submission of the requests.

The Treasurer and Superintendent will work with the Covered Bridge Special Education Cooperative to ensure that required reports are accurately prepared.

Anticipated Completion Date: Immediately, effective 02/18/2016,

  
Cheri L. Peacock, Treasurer

  
Leonard R. Orr, Superintendent

  
Steven S. Brown, Board President

**Dated this 18<sup>th</sup> day of February, 2016**

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 7, 2015, with Dr. Leonard R. Orr, Superintendent of Schools; Cheri L. Peacock, Treasurer; Steven Shawn Brown, President of the School Board; and Jonella McClintock, Food Service Director.

Due to the additional audit work performed on the Special Education Cluster, the contents of this report were discussed on February 18, 2016, with Dr. Leonard R. Orr, Superintendent of Schools; Cheri L. Peacock, Treasurer; and Steven Shawn Brown, President of the School Board.