

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
WARRICK COUNTY SCHOOL CORPORATION  
WARRICK COUNTY, INDIANA  
July 1, 2012 to June 30, 2014



**FILED**  
05/22/2015



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sarah L. Evans	07-01-12 to 06-30-15
Superintendent of Schools	Brad Schneider	07-01-12 to 06-30-15
President of the School Board	Gary Hachmeister	07-01-12 to 06-30-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WARRICK COUNTY SCHOOL  
CORPORATION, WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of the Warrick County 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/).

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 Plans for the Federal Findings, incorporated within this report, were not verified for accuracy.

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

April 7, 2015

WARRICK COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2014-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

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 should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: one major program and one non-major program were not reported, several state grants were reported that should not have been, one cluster was not reported as a cluster, some amounts reported were incorrect, and some grant names were not reported correctly. 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:

"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:

- (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.

WARRICK COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

***FINDING 2014-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS***

We noted the following deficiency in the internal control system of the School Corporation related to financial transactions. The School Corporation has not separated incompatible activities related to cash and investments and receipts. The School Corporation Treasurer writes receipts, makes bank deposits, posts transactions and reconciles the bank accounts. The failure to establish proper controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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)

***FINDING 2014-003 - INTERNAL CONTROL OVER REPORTING - CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program,  
and Summer Food Service Program for Children  
CFDA Number: 10.553, 10.555, and 10.559  
Federal Award Number and Year: FY 12/13 and FY 13/14  
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 Reporting compliance requirement.

The Annual Financial Reports, monthly claims for reimbursement and the verification reports are filed online. Each report is completed and filed with no review or approval process.

WARRICK COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with the compliance requirement. 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. Non-compliance with 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 segregation of duties, related to the compliance requirement listed above.

***FINDING 2014-004 - INTERNAL CONTROL OVER REPORTING -  
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: U.S. Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year: FY 11/12, FY 12/13, and FY 13/14

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 Reporting compliance requirement.

The final expenditure report and monthly request for reimbursement are filed online. Each report is completed and filed with no review or approval process.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with 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.



WARRICK COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 with the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation management establish controls, including segregation of duties, related to the compliance requirement listed above.

***FINDING 2014-005 - INTERNAL CONTROL OVER PROCUREMENT AND  
SUSPENSION AND DEBARMENT - CHILD NUTRITION CLUSTER***

Federal Agency: U.S. Department of Agriculture

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

CFDA Number: 10.553, 10.555, and 10.559

Federal Award Number and Year: FY 12/13 and FY 13/14

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 Procurement and Suspension and Debarment compliance requirement.

No contracts were signed by the School Corporation with successful bidders for food and non-food products purchased by the food service department. Bids were solicited and awarded to the lowest and most responsive bidder at a public meeting. Also, the School Corporation was charged and paid the agreed-upon prices, but no contract was signed by the School Board and the vendor. Also, the food service employees were not aware of the requirement to verify that successful bidders were not on the suspended and debarred list before a contract is awarded.

The failure to establish an effective internal control system places the School Corporation at risk of noncompliance with 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.

WARRICK COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 with 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 segregation of duties, related to the compliance requirement listed above.

***FINDING 2014-006 - INTERNAL CONTROL OVER REPORTING -  
IMPROVING TEACHER QUALITY STATE GRANTS***

Federal Agency: U.S. Department of Education  
Federal Program: Improving Teacher Quality State Grants  
CFDA Number: 84.367  
Federal Award Number and Year: FY 11/12, FY 12/13, and FY 13/14  
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 Reporting compliance requirement.

The monthly request for reimbursement report is completed and filed with no review or approval process.

The failure to establish an effective internal control system places the school at risk of noncompliance with the compliance requirement. 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.

WARRICK COUNTY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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 with 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 segregation of duties, related to the compliance requirement listed above.



**Brad Schneider, Superintendent**  
**Todd Armstrong, Assistant Superintendent**  
**Rick Reid, Director of Human Resources**  
**Jane Wilhelmus, Director of Elementary Curriculum**  
**Tad Powless, Director of Special Education Services**  
**Walter Lambert, Director of Secondary Curriculum**

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## **SUPERINTENDENT'S OFFICE**

**P. O. Box 809/Boonville, Indiana 47601/812-897-0400**

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### FINDING 2014-001-PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person: Todd A Armstrong  
Title: Assistant Superintendent  
Phone Number: (812) 897-6036

Effective immediately, Warrick County School Corporation will include all Federal Awards as required. SEFA will be prepared by the treasurer, verified for accuracy by the assistant superintendent, and information will be uploaded into Gateway by the assistant superintendent as required.

### FINDING 2014-002-INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

Contact Person: Todd A Armstrong  
Title: Assistant Superintendent  
Phone Number: (812) 897-6036  
Anticipated Completion Date: September 2015

Effective immediately, Warrick County School Corporation will create a segregation of duties by assigning the reconciliation of the bank statement each month to another facilitator in the business office; hence, removing that duty from the treasurer who writes receipts, makes deposits, and posts transactions.

### FINDING 2014-003-INTERNAL CONTROL OVER REPORTING – CHILD NUTRITION CLUSTER

Contact Person: Shenae Rowe  
Title: Food and Nutrition Manager  
Phone Number: (812) 897-1341  
Anticipated Completion Date: September 2015

Effective immediately, Warrick County School Corporation will create a segregation of duties by assigning a review process to another facilitator for the annual financial statement (completed by F&N Manager and reviewed by Assistant F&N Manager), monthly claims for reimbursement (Completed by F&N Administrative Assistant and reviewed by F&N Manager) and the verification reports (completed by the F&N Assistant Manager and reviewed by the F&N Manager).

FINDING 2014-004-INTERNAL CONTROL OVER REPORTING-TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Contact Person: Todd A Armstrong  
Title: Assistant Superintendent  
Phone Number: (812) 897-6036  
Anticipated Completion Date: September 2015

Effective immediately, Warrick County School Corporation will segregate the duties related to the final expenditure reports and the monthly requests for reimbursement. The deputy treasurer will prepare the reports and requests, the federal program supervisor and federal program secretary will review for accuracy, and the treasurer will submit aforementioned reports.

FINDING 2004-005-INTERNAL CONTROL OVER PROCUREMENT, SUSPENSION AND DEBARMENT-CHILD NUTRITION CLUSTER

Contact Person: Shenae Rowe  
Title: Food and Nutrition Manager  
Phone Number: (812) 897-1341  
Anticipated Completion Date: September 2015

Effective immediately, Warrick County School Corporation Food and Nutrition Manager will develop and implement procedures addressing proper procurement procedures in the area of suspension and debarment as stipulated by the Department of Agriculture.

Contract agreements will be signed by the school board and all successful bidders.

FINDING 2014-006-INTERNAL CONTROL OVER REPORTING-IMPROVING TEACHER QUALITY GRANTS

Contact Person: Todd A Armstrong  
Title: Assistant Superintendent  
Phone Number: (812) 897-6036  
Anticipated Completion Date: September 2015

Effective immediately, Warrick County School Corporation will segregate the duties related to Improving Teacher Quality Grants including the monthly requests for reimbursement and related reports. The deputy treasurer will compile and prepare information, the federal programs supervisor and federal programs secretary will review for accuracy, and the treasurer will submit aforementioned documents.

WARRICK COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***PENALTIES, INTEREST, AND OTHER CHARGES***

The School Corporation paid penalties, interest, and other charges to First Bankcard in the amount of \$995 because the School Corporation did not remit payments on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

***COLLECTIVE BARGAINING AGREEMENT***

The collective bargaining agreement for SY 13/14 and SY 14/15 contained travel reimbursement, which is not an allowed component of a collective bargaining agreement.

Indiana Code 20-29-6-4.5 states:

"(a) For a contract entered into after June 30, 2011, a school employer may not bargain collectively with the exclusive representative on the following:

- (1) The school calendar.
- (2) Teacher dismissal procedures and criteria.
- (3) Restructuring options available to a school employer under federal or state statutes, regulations, or rules because of the failure of the school corporation or a school to meet federal or state accountability standards.
- (4) The ability of a school employer to contract, partner, or operate jointly with an educational entity that provides postsecondary credits to students of the school employer or dual credits from the school employer and the educational entity.
- (5) Any subject not expressly listed in section 4 of this chapter.

(b) A subject set forth in subsection (a) that may not be bargained collectively may not be included in an agreement entered into under this article."

Indiana Code 20-29-6-4(a) states:

"A school employer shall bargain collectively with the exclusive representative on the following:

- (1) Salary.
- (2) Wages.

WARRICK COUNTY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (3) Salary and wage related fringe benefits, including accident, sickness, health, dental, vision, life, disability, retirement benefits, and paid time off as permitted to be bargained under IC 20-28-9-11."

**PUBLIC WORKS PROJECTS**

The School Corporation, during SY 13/14, contracted with ARC Construction Co., Inc., for the renovation of the kitchen at Castle High School. The total cost of this project was \$197,400. There was no evidence presented for audit that sealed bids were requested or received.

Also, during SY 13/14, the School Corporation contracted with DANCO Construction for the improvement of the entrances at Castle High School. The total cost of this project was \$226,860. There was no evidence presented for audit that sealed bids were requested or received.

Indiana Code 36-1-12-4(a) (Version b, effective July 1, 2012) states in part: "This section applies whenever the cost of a public work project will be: (1) at least one hundred fifty thousand dollars (\$150,000)."

Indiana Code 36-1-12-4(b) (Version b, effective July 1, 2012) states in part:

"The board must comply with the following procedure:

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed."

**ADVANCE PAYMENTS**

The School Corporation pay checks are issued and dated as of the last day of the pay period. For the six month period reviewed, July 1, 2013 to December 31, 2013, the Assistant Superintendent of School's checks cleared the bank 1 to 3 days before the check issue date. This occurred for all but one of the checks issued during that period.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

WARRICK COUNTY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on April 7, 2015, with Sarah L. Evans, Treasurer; Todd A. Armstrong, Assistant Superintendent of Schools; and Gary Hachmeister, President of the School Board.