

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VIGO COUNTY SCHOOL CORPORATION

VIGO COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
03/29/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donna J. Wilson	01-01-12 to 12-31-16
Superintendent of Schools	Daniel Tanoos	01-01-12 to 12-31-16
President of the School Board	Paul Lockhart	01-01-12 to 12-31-16



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

This report is supplemental to our audit report of the Vigo 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/.

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, incorporated within this report, was not verified for accuracy.

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

February 4, 2016

VIGO COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): SY12-13, SY13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the 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.

The U.S. Department of Agriculture and U.S. Department of Education required the School Corporation to verify that awarded contracts exceeding \$25,000 were not with suspended or debarred entities. School food contractors were never verified by the School Corporation as to whether or not they were suspended or debarred. The communications with food supply bidders did not contain any statements regarding suspended or debarred parties.

During the School Corporation's fiscal years 2012-2013 and 2013-2014, the School Corporation made food service purchases exceeding \$25,000 from nine vendors each year. During the audit, a search of the System of Award Manager Center website resulted in no active exclusions for any of these vendors.

An internal control system 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.

2 CFR 180.300 states:

"What must I do before I enter into a covered transaction with another person at the next lower tier?

When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking the EPLS; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

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."

VIGO COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 to ensure compliance and comply with the Suspension and Debarment compliance requirements of the programs.

FINDING 2014-002 - ELIGIBILITY

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Number and Year (or Other Identifying Number): SY12-13, SY13-14

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation has not established an effective internal control system related to the grant agreement and the Eligibility 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.

Internal controls over inputting the proper eligibility status in the point-of-sale system at the School Corporation's cafeterias were not sufficient to prevent, or detect and correct, errors in the eligibility classification of individual students within the School Food Service Point-Of-Sale System. The School Corporation determines student eligibility for the child nutrition programs at the Food Service Office. The students' status is then input manually into the point-of-sale system at each school.

Our test revealed that eight out of the 98 students tested purchased or received meals at an incorrect price for a portion of the school year as follows:

- Four students who qualified for reduced meals were served free meals.
- Two students who qualified for paid meals were charged reduced meal prices.
- One student who qualified for paid meals was served free meals.
- One student who qualified for free meals was charged paid meal prices.

An internal control system 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.

7 CFR 245.6(c) states in part:

"Determination of eligibility—

- (1) *Duration of eligibility.* Except as otherwise specified in paragraph (c)(3) of this section, eligibility for free or reduced price meals, as determined through an approved application or by direct certification, must remain in effect for the entire school year and for up to 30 operating days into the subsequent school year. The local educational agency must

VIGO COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. The local educational agency must determine eligibility for free or reduced price meals when a household submits an application or, if feasible, through direct certification, at any time during the school year."

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 to ensure compliance and comply with the Eligibility compliance requirements of the programs.

FINDING 2014-003 - CASH MANAGEMENT AND REPORTING

Federal Agency: Department of Education

Federal Program: Special Education - Grants to States, 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 (District). The District operates the Special Education program and manages the Special Education grant funds.

Management of the District 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 District Treasurer. The District 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 District 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 District 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.

VIGO 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."

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 in part:

"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. Non-compliance 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 District to ensure compliance with the compliance requirements listed above.



Vigo County School Corporation

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2014- 001


Federal Agency:	U.S. Department of Agriculture
Federal Program:	School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA Number:	10.553, 10.555, and 10.559
Federal Award Year:	FY 2012-2013 and FY 2013-2014
Auditee Contact Person:	Thomas Lentes
Title of Contact Person:	Food Services Coordinator
Phone Number:	812-462-4245

Briefly describe action to be taken to correct finding.

The Purchasing Office has modified the school corporation bid specifications to include a section that requires bidders to provide written verification that they have not been suspended or debarred. Additionally, the Food Service Office will search the System of Award Manager Center website to verify that all school food contractors are not on the suspended or debarred parties list.

Estimated Date of Completion: July 1, 2015

Signed: 
Thomas Lentes, Food Services Coordinator

Signed: 
Daniel T. Tanoos, Superintendent



Vigo County School Corporation

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2014-002

Federal Agency:	U.S. Department of Agriculture
Federal Program:	School Breakfast Program, National School Lunch Program, Summer Food Service Program for Children
CFDA Number:	10.553, 10.555, and 10.559
Federal Award Year:	FY 2012-2013 and FY 2013-2014
Auditee Contact Person:	Thomas Lentes
Title of Contact Person:	Food Services Coordinator
Phone Number:	812-462-4245

Briefly describe action to be taken to correct finding.

The School Corporation's Food Service point-of-sale system does not allow for centralized maintenance of individual student eligibility status manipulation but requires that information be changed at each site by cafeteria managers or their designees. Therefore, the Food Services Office will continue to notify schools on a timely basis of eligibility status changes and require timely written verification that the status modifications were reviewed and changed in the point-of-sale systems at each school. The Food Service Office will maintain these written confirmations for audit review and will periodically verify status indicators by sampling school sales journals to insure that the proper student status is recorded in the system. As the corporation moves forward, we will also investigate new point-of-sale systems that allow Administrative maintenance of key Food Service program data.

Estimated Date of Completion: July 1, 2015

Signed: _____

Thomas Lentes, Food Services Coordinator

Signed: _____

Daniel T. Tanoos, Superintendent



Vigo County School Corporation

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2014-003

Federal Agency:	U.S. Department of Education
Federal Program:	Special Education Cluster
CFDA:	84.027, 84.173
Federal Award 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
Auditee Contact Person:	Donna Wilson
Title of Contact Person:	Chief Financial Officer
Phone Number:	812-462-4314

Briefly describe action to be taken to correct finding.

The Cooperative Treasurer will no longer submit requests for reimbursement based on the appropriation report but will calculate actual expenses incurred for the period of reimbursement.

The School Corporation Chief Financial Officer (Treasurer) or Deputy Treasurer will review all reimbursement requests prior to the submission of the requests to the pass-through entity. The Cooperative Treasurer will provide the School Corporation with adequate proof of expenditures from Cooperative records to ensure the proper reimbursement is being requested.

Estimated Date of Completion: February 4, 2016

Signed: Donna Wilson
Donna Wilson, Chief Financial Officer

Signed: Jeffery Blake
Jeffery Blake, Covered Bridge Special Education
Cooperative Director

Signed: Daniel T. Tanoos
Daniel T. Tanoos, Superintendent

VIGO COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

CAFETERIA REFUND POLICY

The School Corporation had a policy concerning refunds of student cafeteria balances. The policy stated that Cafeteria Managers could not give cash refunds from individual school cafeteria cash drawers. All refunds requested by students and/or parents must be given in the form of a check sent from the School Corporation. The School Corporation also had a policy that all money moved out of a student's meal account must be listed on a Daily POS Edit Report which was turned in to the Food Service Department monthly.

However, we noted that one elementary school cafeteria was not in compliance with the School Corporation's policies because the cafeteria's daily detail records showed that withdrawals from the cash drawer were made and labeled as refunds. These refunds were not listed on the Daily POS Edit Reports.

The total amounts withdrawn from the elementary school cafeteria cash drawer were as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2012-2013	\$ 359.05
2013-2014	610.60
2014-2015	<u>47.25</u>
Total	<u>\$ 1,016.90</u>

The School Corporation requested reimbursement from the Cafeteria Manager. On April 23, 2015, the School Corporation received payment of \$1,016.90 from the Cafeteria Manager.

Each governmental 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 7)

Persons, companies or governmental units that have overpaid amounts to a governmental unit are entitled to a repayment or refund by check or warrant. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

PREPAID SCHOOL LUNCH ACCOUNTS

Receipts from students who prepaid for food were receipted directly into the School Lunch fund instead of the clearing account established for prepaid food.

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end. (The School Administrator and Uniform Compliance Guidelines, Vol.183)

VIGO COUNTY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

COLLECTIVE BARGAINING AGREEMENTS

The School Corporation failed to post the collective bargaining agreements with the Vigo County Teachers Association on their website within 14 days of reaching the agreement for the years 2012, 2013, and 2014.

Indiana Code 20-29-6-19 states:

"Not later than fourteen (14) business days after the parties have reached an agreement under this chapter, the school employer shall post the contract upon which the parties have agreed on the school employer's Internet web site."

OVERDRAWN CASH BALANCES

The financial statements presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2013, and June 30, 2014:

Fund	Amount Overdrawn 06-30-13	Amount Overdrawn 06-30-14
School Bus Replacement	\$ (726,615)	\$ -
THN Tutoring	-	(1,227)
2012-2013 VCEF Writing/Tutoring Grant	(94)	-
2013-2014 VCEF Writing/Tutoring Grant	-	(387)
2012-2013 VCEF Readlive Tutoring	(472)	-
2013-2014 VCEF Readlive Tutoring	-	(1,162)

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 governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

VIGO COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 7, 2015, with Daniel Tanoos, Superintendent of Schools; Donna J. Wilson, Treasurer; Robert Karr, Deputy Treasurer; Paul Lockhart, President of the School Board; Franklin Fennell, Director of Facility Support and Transportation; Christi Fenton, Title I Director; and Thomas Lentos, Food Services Director.

Due to the additional audit work performed on the Special Education Cluster, the contents of this report were discussed on February 4, 2016, with Daniel Tanoos, Superintendent of Schools; Donna J. Wilson, Treasurer; Robert Karr, Deputy Treasurer; and Paul Lockhart, President of the School Board.