

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VALPARAISO COMMUNITY SCHOOLS

PORTER COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**

05/12/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Qualkenbush	07-01-13 to 06-30-16
Superintendent of Schools	Michael J. Berta, Jr. Dr. E. Ric Frataccia	07-01-13 to 06-30-14 07-01-14 to 06-30-16
President of the School Board	Mark T. Maassel Karl Cender	07-01-13 to 06-30-15 07-01-15 to 06-30-16



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE VALPARAISO COMMUNITY SCHOOLS, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Valparaiso Community Schools (School Corporation), for the period from July 1, 2013 to June 30, 2015. 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 Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

March 14, 2016

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2015-001 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER***

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: 14212-050-PN01, 14213-050-PN01, 14214-050-PN01,  
14215-050-PN01, 45714-050-PN01, 45715-050-PN01,  
99914-050-TA01

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 following compliance requirements: Activities Allowed, Allowable Costs/Cost Principles, Level of Effort - Maintenance of Effort, and Period of Availability. 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.

*Activities Allowed and Allowable Costs/Cost Principles*

Over 95 percent of the grant expenditures were for payroll and related benefit costs for special education personnel. One employee was responsible for the preparation, recording, and payment of the biweekly payroll and related benefit costs. There was no evidence of an oversight or review process. Policies or procedures have also not been designed or implemented to ensure that required periodic certifications are prepared for all personnel paid solely from federal funds or that timesheets for hourly employees indicate the program or fund from which the employee will be paid.

*Level of Effort - Maintenance of Effort (MOE)*

The School Corporation has not designed or implemented policies and procedures to ensure that the MOE calculation was accurate or that supporting documentation was maintained. One individual calculated and reported the MOE. An oversight, review, or approval process has not been established.

*Period of Availability*

The School Corporation historically expends the available funds in advance of the end of the period of availability. However, evidence of a review process was not noted to ensure that grant funds are disbursed within the period of availability and that expenditures are not made from expired grant funds.

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 type of 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

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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 grant agreement or the compliance requirements could result in a 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 grant agreement and the compliance requirements listed above.

***FINDING 2015-002 - INTERNAL CONTROLS OVER TITLE I  
GRANTS TO LOCAL EDUCATIONAL AGENCIES***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560  
Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties such as an oversight or approval process, related to the grant agreement and the Activities Allowed, Allowable Costs/Cost Principles, and Period of Availability 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 program.

The School Corporation had designed adequate policies or procedures to ensure that expenditures were for an allowable activity, were an allowable cost, and were within the period of availability. However, the School Corporation did not properly implement those controls. The Title I Director is to sign the payroll distribution reports at the end of each payroll to ensure that only Title I employees are paid from Title I funds. Eight of the nine payroll distribution reports could not be found by the School Corporation to ensure that the Title I Director had signed the reports. There was no evidence of segregation of duties, such as an oversight, review, or approval process.

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

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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 grant agreement or the compliance requirements could result in the loss of federal funds to the School Corporation.

We recommended that the School Corporation properly implement the established controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

***FINDING 2015-003 - ELIGIBILITY***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, 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. 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.

*Eligibility - Group or Area*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the enrollment and poverty data for both public and nonpublic schools reported in the grant applications were accurate. There was no segregation of duties, such as an oversight, review, or approval process.

*Eligibility - Individuals*

The School Corporation has not designed or implemented adequate policies or procedures to ensure that all students eligible for Title I services are accounted for on the "Selection List" completed at each Elementary School and submitted to the Title I Director. There was no segregation of duties, such as an oversight, review, or approval process.



VALPARAISO COMMUNITY SCHOOLS  
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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."

*Compliance*

*Eligibility - Group or Area*

The Eligible School Summary portion of the Title I grant application reports the public enrollment, public poverty, nonpublic enrollment and nonpublic poverty data. The records provided by the School Corporation for the public enrollment did not agree with the Eligible School Summary for the 2014 and 2015 program years by 214 and 121 students, respectively. The public poverty data did not agree with the Eligible School Summary for the 2014 and 2015 program years by 29 and 48 students, respectively. The School Corporation did not provide the nonpublic enrollment and the nonpublic poverty data that were reported in the Eligible School Summary for the audit period.

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

34 CFR 76.700 states: "A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

34 CFR 200.78 states in part:

"(a)(1) An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 establish controls, including segregation of duties, related to the grant agreement and the Eligibility compliance requirements. In addition, we recommended that the School Corporation comply with the Eligibility requirements.

VALPARAISO COMMUNITY SCHOOLS  
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(Continued)

***FINDING 2015-004 - EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Equipment and Real Property Management 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 program.

The School Corporation has not designed or implemented adequate policies or procedures to adequately safeguard or maintain proper records for equipment purchased with federal funds. There was no segregation of duties, such as an oversight, review, or approval process.

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."

*Compliance*

The School Corporation expended \$170,419 to purchase equipment with Title I funds during the audit period. The inventory that was provided did not include the cost of the equipment purchased.

34 CFR 80.32 states in part:

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

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Equipment and Real Property Management. In addition, we recommended that the School Corporation comply with the Equipment and Real Property Management requirements.

***FINDING 2015-005 - SPECIAL TESTS AND PROVISIONS - COMPARABILITY***

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Number and Year (or Other Identifying Number): 13-6560, 14-6560, 15-6560

Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Comparability 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 program.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the comparability report was accurate. One person was responsible for preparing and submitting the Comparability report. There was no segregation of duties, such as an oversight, review, or approval process.

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.

VALPARAISO COMMUNITY SCHOOLS  
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."

*Compliance*

The comparability reports and supporting documentation were not presented for the audit period.

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

34 CFR 76.700 states: "A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

Indiana Department of Education Title I Comparability of Services Handbook states: "All LEAs must complete comparability yearly and submit information to the SEA every two years for compliance with the comparability requirement. Also, Title I LEAs must develop procedures for compliance with the comparability requirement and implement those procedures annually."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Special Tests and Provisions - Comparability. In addition, we recommended that the School Corporation comply with the Special Tests and Provisions - Comparability requirements.

***FINDING 2015-006 - SPECIAL TESTS AND PROVISIONS - GRADUATION (COHORT) RATE***

Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Educational Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years: 13-6560, 14-6560, 15-6560  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Special Tests and Provisions - Graduation (Cohort) Rate. 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.

VALPARAISO COMMUNITY SCHOOLS  
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The School Corporation has not designed or implemented adequate policies or procedures to ensure compliance with the Graduation (Cohort) Rate report requirements. The School Corporation did not have controls in place to ensure that the supporting documentation for students who withdrew was retained. There was no segregation of duties, such as an oversight, review or approval process.

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."

*Compliance*

When a student was removed from the graduation cohort rate (due to a transfer out of state, a transfer out of district, a placement by court order, or a removal by parents), the removal was performed at the High School. Documentation (Exit Forms) of the removal was not retained for audit from the 2013 Graduation Cohort Rate list of students. Documentation for seven of the thirteen students removed from the 2014 Graduation Cohort Rate list of students was not retained for audit.

34 CFR 200.19(b) states in part:

"*High schools*—(1) *Graduation rate*. Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a "four-year adjusted cohort graduation rate," defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class. . .

(ii) The term "adjusted cohort" means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term "students who transfer into the cohort" means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

VALPARAISO COMMUNITY SCHOOLS  
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- (1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma.
- (2) A student who is retained in grade, enrolls in a General Educational Development (GED) program, or leaves school for any other reason may not be counted as having transferred out for the purpose of calculating graduation rate and must remain in the adjusted cohort."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements for Special Tests and Provisions- Graduation (Cohort) Rate. In addition, we recommended that the School Corporation comply with the Special Tests and Provisions - Graduation (Cohort) Rate requirements.

***FINDING 2015-007 - ACTIVITIES ALLOWED AND ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed and Allowable Costs/Cost Principles 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that payroll disbursements were for only food service operating costs or that the appropriate supporting documentation was in agreement with the payroll disbursements. There was no segregation of duties, such as oversight, review, or approval process.

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.

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
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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 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 segregation of duties, related to the grant agreement and the Activities Allowed and Allowable Costs/Cost Principles requirements.

***FINDING 2015-008 - CASH MANAGEMENT***

Federal Agency: Department of Agriculture  
Federal Program: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Years: FY13-14, FY14-15  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances are limited to 3 months average expenditures in compliance with Cash Management requirements. There is no oversight, review, or monitoring of the cash balances.

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.

VALPARAISO COMMUNITY SCHOOLS  
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."

*Compliance*

The School Corporation maintained cash balances that exceeded the 3 months average expenditures during each month of the audit period. The cash balances exceeded the 3 months average expenditures in amounts from \$946,171 to \$1,224,589 for the 2013-2014 school year. The cash balances exceeded the 3 months average expenditures in amounts from \$714,884 to \$1,050,095 for the 2014-2015 school year.

7 CFR 210.9(b) states in part:

"(b) *Agreement.* Each school food authority approved to participate in the program shall enter into a written agreement with the State agency that may be amended as necessary. Nothing in the preceding sentence shall be construed to limit the ability of the State agency to suspend or terminate the agreement in accordance with §210.25. If a single State agency administers any combination of the Child Nutrition Programs, that State agency shall provide each school food authority with a single agreement with respect to the operation of those programs. The agreement shall contain a statement to the effect that the 'School Food Authority and participating schools under its jurisdiction, shall comply with all provisions of 7 CFR parts 210 and 245.' This agreement shall provide that each school food authority shall, with respect to participating schools under its jurisdiction:

- (1) Maintain a nonprofit school food service and observe the requirements for and limitations on the use of nonprofit school food service revenues set forth in §210.14 and the limitations on any competitive school food service as set forth in §210.11;
- (2) Limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved in accordance with §210.19(a); . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 segregation of duties, related to the grant agreement and the Cash Management compliance requirements. In addition, we recommended that the School Corporation comply with the Cash Management requirements.



VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
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**FINDING 2015-009 - ELIGIBILITY**

Federal Agency: Department of Agriculture

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

CFDA Number: 10.553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, 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. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that eligibility for free and reduced price meals was accurately determined. Applications were not subjected to review prior to the notification of eligibility. There was no segregation of duties, such as an oversight, review, or approval process.

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."

*Compliance*

The Food Service office is responsible for notifying households of their children's eligibility for free or reduced price meals. There is no evidence that the School Corporation notified parents of the approval or denial of their applications.

In addition, 8 percent of the applicants tested were found to have incorrect eligibility determinations. Of the applications tested, 2 percent did not state an eligibility determination.

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

7 CFR 245.6(c) states:

"(6) *Notice of approval-*

(i) *Income applications.* The local educational agency must notify the household of the children's eligibility and provide the eligible children the benefits to which they are entitled within 10 operating days of receiving the application form the household.

(ii) *Direct Certification.* Households approved for benefits based on information provided by the appropriate State or local agency responsible for the administration of the SNAP, FDPIR or TANF must be notified, in writing, that their children are eligible for free meals or free milk, that no application for free or reduced price school meals or milk is required. The notice of eligibility must also inform the household that the parent or guardian must notify the local educational agency if they do not want their children to receive free benefits. However, when the parent or guardian transmits a notice of eligibility provided by SNAP, FDPIR or TANF office, the local educational agency is not required to provide a separate notice of eligibility. The local educational agency must notify in writing, households with children who are approved on the basis of documentation that they are *Categorically Eligible*, as defined in §245.2, that their children are eligible for free meals or free milk, and that no application is required."

7 CFR 245.6(c) states:

"(c) *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 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."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 segregation of duties, related to the grant agreement and the Eligibility compliance requirements. In addition, we recommended that the School Corporation comply with the Eligibility requirements.

***FINDING 2015-010 - PROGRAM INCOME***

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 Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Program Income. 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.

The School Corporation has not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. There was no segregation of duties, such as an oversight, review, or approval process.

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."

*Compliance*

1. The School Corporation did not comply with state requirements for accounting for program income generated from the operation of the food service program. All receipts from sales, as well as prepayments, were recorded directly into the School Lunch fund. Prepayments were not recorded in a Prepaid Food fund and regularly allocated to the appropriate School Lunch fund for the first 18 months of the audit period. The School Corporation established the Prepaid Food fund in January 2015 to account for prepayments and began to make the appropriate allocations to the School Lunch fund.
2. In the 2013-2014 school year, the School Corporation overcharged 10 cents for each Adult Breakfast sold in all schools.
3. In the 2014-2015 school year, the High School began serving a new lunch option - the "crave" meal in addition to the regular lunches. The price for the crave meal was \$1 more than the regular lunch price. The higher price for the crave meal was not approved by the School Board. We were not always able to calculate the average price of paid lunches served at the High School due to the accounting for this new meal option.

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

7 CFR 210.14(c) states:

*"Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

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)

7 CFR 210.14 states in part:

"(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 segregation of duties, related to the grant agreement and the Program Income compliance requirements. In addition, we recommended that the School Corporation comply with Program Income requirements.

***FINDING 2015-011 - REPORTING***

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, and 10.559  
Federal Award Years: FY13-14, FY14-15  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement for Reporting. 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.

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the Annual Financial Report (AFR) and the Verification Summary Report are accurate. One employee is responsible for preparing and submitting the reports. There was no segregation of duties, such as an oversight, review, or approval process.

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."

*Compliance*

The School Corporation is required to complete and submit an AFR at the end of each fiscal year. The information reported in the AFR should reflect the financial transactions and position of the School Lunch fund and be supported by the accounting records. Amounts reported in the AFR could not be traced to the records. In addition, the School Corporation is required to complete and submit a Verification Summary Report each school year. This report should reflect that number of verifications completed on applications submitted during the school year. The report was not supported by the records for the 2013-2014 school year.

7 CFR 3016.20(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. . . .
- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc."

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with 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 segregation of duties, related to the grant agreement and the Reporting compliance requirements. In addition, we recommended that the School Corporation comply with the Reporting requirements.

***FINDING 2015-012 - SPECIAL TESTS AND PROVISIONS - VERIFICATIONS***

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10553, 10.555, 10.559

Federal Award Years: FY13-14, FY14-15

Pass-Through Entity: Indiana Department of Education

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Special Tests and Provisions - Verifications. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that the correct number of applications was chosen for the verification process. There was no segregation of duties, such as an oversight, review, or approval process.

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."

*Compliance*

The School Corporation did not comply with the verification requirements. The School Corporation is required to verify 3 percent of all applications submitted or 3,000, whichever is less. In the 2013-2014 school year, the total applicants calculated was 662. This required a verification size of 20. The actual number verified only was 17.

7 CFR 245.6a Verification Requirements states in part:

"(3) *Standard sample size.* Unless eligible for an alternate sample size under paragraph (d) of this paragraph, the sample size for each local educational agency shall equal the lesser of:

- (i) Three (3) percent of all application approved by the local educational agency for the school year, as of October 1 of the school year, selected from error prone applications; or
- (ii) 3,000 error prone applications approved by the local educational agency for the school year, as of October 1 of the school year."

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

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

We recommended that the School Corporation establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Verifications compliance requirements. In addition, we recommended that the School Corporation comply with Special Tests and Provisions - Verifications requirements.

***FINDING 2015-013 - SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY***

Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10553, 10.555, 10.559  
Federal Award Years: FY13-24, FY14-15  
Pass-Through Entity: Indiana Department of Education

*Internal Controls*

The School Corporation has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the compliance requirements for Special Tests and Provisions - Paid Lunch Equity. 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.

The School Corporation has not designed or implemented adequate policies or procedures to ensure that paid lunch equity was properly determined and implemented, or that supporting documentation for compliance with paid lunch equity was retained for audit. There was no segregation of duties, such as an oversight, review, or approval process.

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."

VALPARAISO COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Compliance*

The School Corporation did not comply with the paid lunch equity requirements. The School Corporation is required to establish prices for paid lunches based on the compliance requirements. They must calculate the difference between the per meal federal reimbursement for paid and free lunches. This difference must be compared to the average price of a paid lunch. If the amount of the average price of a paid lunch is less than the difference, then a new paid lunch price is to be established.

The School Corporation's calculations were not retained for audit; therefore, we could not determine if the School Corporation's calculated weighted average price met the paid lunch equity requirements for the audit period. A summary sheet was presented which included the proposed rates. The Elementary lunch price increased five cents for the 2013-2014 school year while all other lunches increased ten cents.

7 CFR 210.14 states in part:

"(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with 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 establish controls, including segregation of duties, related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirements. In addition, we recommended that the School Corporation comply with Special Tests and Provisions - Paid Lunch Equity requirements.



# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building  
3801 North Campbell Street  
Valparaiso, Indiana 46385

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## Corrective Action Plan Finding 2015-001 – Special Education Cluster

### Contact Persons Responsible for Corrective Action:

Dr. E. Ric Frataccia, Superintendent, Valparaiso Community School Corporation  
Ms. Quinn Van Rys, CFO, Porter County Education Services Cooperative  
Mrs. Sharon Qualkenbush, CFO, Valparaiso Community School Corporation  
Mrs. Diane Massa, Executive Director, Porter County Education Services Cooperative

### Contact Phone Numbers:

Dr. Frataccia and Mrs. Qualkenbush: 291-531-3000  
Ms. Van Rys and Mrs. Massa: 291-464-9607

### Description of Corrective Action Plan:

#### **(1) Activities Allowed, Allowable Costs and Period of Availability: (PCES)**

Hourly employee's time sheets will be matched with the payroll accounting code report that indicates which employees were paid from which accounts. The report and timesheets will be reviewed to insure correct payment of personnel and evidenced by the (PCES) CFO (initial and date). Certified staff members and account codes from which they are paid will also be included with the payroll account code review process.

#### **(2) Period of Availability:**

(PCES) personnel review the summary of receipts and expenditures for each grant fund on a monthly basis. A comparison of year to date receipts, expenditures, and total approved budget amounts for each grant fund provides on-going monitoring to determine the amount of grant funds remaining for expenditure. Once the budget amount has been expended, the grant fund accounts are closed so that additional expenditures from a subsequent period cannot be charged to the completed grant. Such a review will be evidenced by initial and date of (PCES) reviewer.

#### **(3) Level of Effort / Maintenance of Effort (MOE):**

(PCES) personnel will calculate the (MOE) of each member school corporation each fiscal year. (PCES) will complete the calculation, summarize the data, and provide that information to VCS for review and evidence. (PCES) will maintain this evidence as documentation for audit review. Please understand that when I and the corporation's Business Manager met with the State Board of Account reviewers, the findings noted in "Finding 2015-001 – Special Education Cluster" were reported to us as "findings" relative to Special Education and not as "findings" relative to the Valparaiso Community School Corporation. Obviously, as Superintendent of the Valparaiso School Corporation, I directly influence the development of a "Corrective Action Plan" relative to any and all "findings" noted by SBA reviewers/auditors.

Conversely, as one of several Board members, I do not have the sole power to direct or order the Porter County Special Education Interlocal to complete and submit a "Corrective Action Plan" relative to the "findings" that SBA reviewers/auditors have identified. As noted previously; however, I will provide the Executive Director of the Porter County Special Education Interlocal the "findings" that pertain to the Special Education Interlocal that have been communicated to me and, in addition, this "Corrective Action Plan" will also be provided to the Executive Director of the Porter County Special Education Interlocal.

"Findings" that pertain to the Valparaiso Community School Corporation will receive our immediate attention and a "Corrective Action Plan" will be developed with expedition in an attempt to ameliorate the concerns.

The Valparaiso Community School Corporation will request the (PCES) to provide the aforementioned Corrective Action Plan – "related" information and documentation for VCS personnel to review as a means to check for compliance.

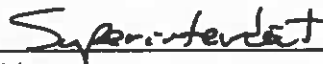
**Anticipated Dates to Implement Corrective Actions:**

(1), (2), ( ) These plans will be implemented in April, 2016

(3) This plan will be implemented during the next calculation of (MOE) for State reporting.



Signature



Title



Date

# VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

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3801 North Campbell Street  
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## CORRECTIVE ACTION PLAN

**FINDING 2015-002** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I  
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The Title I Director will sign off on all Title I related documents. The signed documents will then be sent to Central Office Administration Finance Department for review, verification, and final sign off. These will include all expenditure and payroll documents.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

*Calli Dado*

(Signature)

*Title I Director*

(Title)

*3-11-14*

(Date)

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## CORRECTIVE ACTION PLAN

**FINDING 2015-003** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I  
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

Eligibility – Group or Area

The Title I Director will review and sign off on enrollment data and will then send to Central Office Administration for review, verify and provide final approval and sign off.

Eligibility - Individuals

Building principals will review, verify and sign off on Title I "Selection Lists." Building principals will send "Selection Lists" to Title I Director to review, verify and provide final sign off.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

*Calli Dado*

(Signature)

*Title I Director*

(Title)

*3-11-10*

(Date)

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## CORRECTIVE ACTION PLAN

**FINDING 2015-004** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I  
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The Title I Director will ensure that inventory lists include cost of equipment purchased. Building principals will review, verify, and sign off that the inventory lists are complete and accurate. Inventory documents will then be reviewed, verified and final signed off by the Title I Director. A copy of all inventory documents will be sent to Central Office Administration for final oversight.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

*Calli Dado*

(Signature)

*Title I Director*

(Title)

*3-11-14*

(Date)

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## CORRECTIVE ACTION PLAN

**FINDING 2015-005** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I  
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The Title I Director will work with relevant Title I Staff to complete and submit accurate and verified comparability reports. The Title I Director will adhere to the deadlines for submission laid out in the grant agreement to ensure reports are submitted in a timely manner. Comparability reports will be sent to Central Office Administration for review, verification and a final sign off.

Anticipated Completion Date:

The Comparability Report for the 2015-16 school year was completed and signed off by the Title I Director and Central Office Administration. This will be done annually.

*Calli Dado*

(Signature)

*Title I Director*

(Title)

*3-11-16*

(Date)



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## CORRECTIVE ACTION PLAN

**FINDING 2015-006** (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I  
Contact Phone Number: (219)531-3160

Description of Corrective Action Plan:

The High School principal will send a copy of all students withdrawn to the Title I Director. The Title I Director will manage oversight by verifying and maintaining records.

Anticipated Completion Date:

This corrective action plan will be effective immediately.

*Calli Dado*

(Signature)

*Title I Director*

(Title)

*3-11-16*

(Date)



# Valparaiso Community Schools

## Food and Nutrition Services

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2727 N. Campbell Street • Valparaiso, IN 46385 •

(219) 531-3050 • [www.valpo.k12.in.us](http://www.valpo.k12.in.us) Kathleen Kane, SNS, Director

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-007 ACTIVITIES ALLOWED/ALLOWABLE COSTS**

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services  
Contact Phone Number: 219-531-3050

#### Description of Corrective Action Plan:

Establish an internal control system, with segregation of duties, which provides reporting of payroll and other administrative and operating costs charged to food service for the review, approval and signature of the food service director.

Anticipated Completion Date: March 2016

  
\_\_\_\_\_  
(Signature)

FSD  
\_\_\_\_\_  
(Title)

3-11-16  
\_\_\_\_\_  
(Date)





# Valparaiso Community Schools

## Food and Nutrition Services

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(219) 531-3050 • [www.valpok12.in.us](http://www.valpok12.in.us) Kathleen Kane, SNS, Director

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-008 CASH MANAGEMENT**

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services  
Contact Phone Number: 219-531-3050

#### Description of Corrective Action Plan:

Establish an internal control system, which would include segregation of duties, to monitor the food service cash account balances. The Food Service Director will review the Annual Financial Report with the Chief Financial Officer and report the cash account balance. Balances in excess of three months average expenditures must include a written plan to reduce the balance that is reviewed and approved by the Chief Financial Officer.

Anticipated Completion Date: March 2016

  
\_\_\_\_\_  
(Signature)

FSI  
\_\_\_\_\_  
(Title)

3-11-16  
\_\_\_\_\_  
(Date)



# Valparaiso Community Schools

## Food and Nutrition Services

2727 N. Campbell Street • Valparaiso, IN 46385 •

(219) 531-3050 • [www.valpo.k12.in.us](http://www.valpo.k12.in.us) Kathleen Kane, SNS, Director

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-009 ELIGIBILITY**

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services  
Contact Phone Number: 219-531-3050

#### Description of Corrective Action Plan:

All paper applications received for free and reduced meal benefits will be processed by a Food Service office staff member and then reviewed for accuracy and signed by another Food Service office staff member. Once reviewed, notification of eligibility will be sent and a copy of notification kept on file.

Applications that are submitted electronically and processed by software will be reviewed for accuracy by a Food Service office staff member. Notification letters sent will be tracked electronically and a report generated.

Anticipated Completion Date: March 2016

  
(Signature)

FSI  
(Title)

3-11-16  
(Date)



# Valparaiso Community Schools

## Food and Nutrition Services

2727 N. Campbell Street • Valparaiso, IN 46385 •

(219) 531-3050 • [www.valpo.k12.in.us](http://www.valpo.k12.in.us) Kathleen Kane, SNS, Director

### CORRECTIVE ACTION PLAN

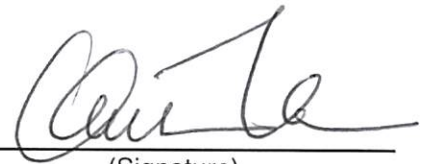
#### **FINDING 2015-010 PROGRAM INCOME**

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services  
Contact Phone Number: 219-531-3050

#### Description of Corrective Action Plan:

- 1) A Prepaid Food fund has been established for direct receipting of prepayments. At the end of each month, the food service director completes a transfer form which allocates the amounts of prepayments spent to the proper fund and supported by point of sale reports. This form is reviewed and approved by the Chief Financial Officer.
- 2) The Food Service bookkeeper and office clerk will test all prices programmed into the point of sale for accuracy. A file will be maintained for reports verifying the accuracy of pricing with the board approved prices. This process will be reviewed by a minimum of two office staff with final approval by the Food Service Director.
- 3) The above testing process will also include a test to ensure reimbursable meals are being counted correctly as well as being appropriately priced for paid, free and reduced price eligible students. The upscale reimbursable lunch price will be included in future price recommendations to the board of education.

Anticipated Completion Date: August 2016



(Signature)

FSD

(Title)

3-11-16

(Date)



# Valparaiso Community Schools

## Food and Nutrition Services

2727 N. Campbell Street • Valparaiso, IN 46385 •

(219) 531-3050 • [www.valpo.k12.in.us](http://www.valpo.k12.in.us) Kathleen Kane, SNS, Director

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-011 REPORTING**

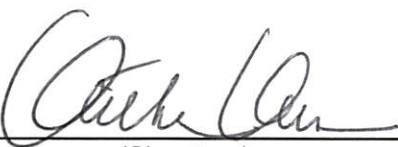
Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services  
Contact Phone Number: 219-531-3050

#### Description of Corrective Action Plan:

The Annual Financial Report (AFR) will be prepared by Food Service Director and submitted to the Chief Financial Officer for review and approval. The Food Service Director will have access to view and print ledger information in order to prepare the report accurately.

The Verification Summary Report will be prepared by the Food Service Bookkeeper and reviewed and approved by the Food Service Director.

Anticipated Completion Date: August 2016



(Signature)

FSD

(Title)

3-11-16

(Date)



# Valparaiso Community Schools

## Food and Nutrition Services

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### CORRECTIVE ACTION PLAN

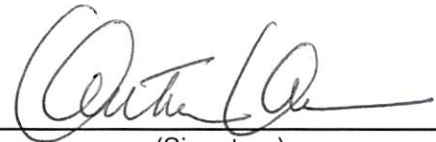
#### ***FINDING 2015-012 Special Tests and Provisions - Verifications***

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services  
Contact Phone Number: 219-531-3050

#### Description of Corrective Action Plan:

The Food Service Bookkeeper will use the point of sale software to determine the random sample for the verification process. The sample will be approved for accuracy by the Food Service Director before the verification process is initiated.

Anticipated Completion Date: November 2016



(Signature)

FSD

(Title)

3-11-16

(Date)





# Valparaiso Community Schools

## Food and Nutrition Services

2727 N. Campbell Street • Valparaiso, IN 46385 •

(219) 531-3050 • [www.valpo.k12.in.us](http://www.valpo.k12.in.us) Kathleen Kane, SNS, Director

### CORRECTIVE ACTION PLAN

#### **FINDING 2015-013 Special Tests and Provisions – Paid Lunch Equity**

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of Food & Nutrition Services  
Contact Phone Number: 219-531-3050

#### Description of Corrective Action Plan:

The Food Service Bookkeeper will prepare and maintain a file to include all calculations performed to establish prices in compliance with the paid lunch equity requirement. The calculations will be reviewed for accuracy and approved by the Food Service Director. This file will also contain a copy of the paid lunch pricing recommendation to and approval by the Board of Education.

Anticipated Completion Date: March 2016

(Signature)

FSD

(Title)

3-11-16

(Date)

VALPARAISO COMMUNITY SCHOOLS  
AUDIT RESULTS AND COMMENTS

**AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE**

The information presented for audit indicates enrollment figures on Form No. 30A, Report of Average Daily Membership (ADM) for State Support and the Core 40 honors and technical diploma counts submitted to the Indiana Department of Education (DOE), were incorrect for the school years ending June 30, 2014 and 2015.

The enrollment count dates for 2013-2014 and 2014-2015 school years were September 13, 2013, February 3, 2014, and September 12, 2014, and February 2, 2015, respectively. The difference between the count reported on the ADM and the verified count are shown below:

The honors diploma counts for the class of 2013 were reported in fall of 2013 and the class of 2014 were reported in fall of 2014. The difference between the count reported to the DOE on Forms DOE-GR and 30A and the verified figures are shown below:

<u>School Years</u>	<u>Description</u>	<u>ADM or Honors Diplomas Reported</u>	<u>ADM or Honors Diplomas Detail</u>	<u>Over - (Under) Difference</u>
2013-2014	ADM - K through12	12,344.65	12,352.65	(8.00)
2014-2015	ADM - K through12	12,055.67	12,056.67	(1.00)
2013-2014	Academic Honors Diplomas	229.00	237.00	(8.00)
2014-2015	Academic Honors Diplomas	237.00	241.00	(4.00)

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

**OVERDRAWN CASH BALANCES**

The financial statement presented in the Financial Statement and Federal Single Audit Report the School Corporation included the Clearing Account - Payroll fund with an overdrawn cash balance of \$50,467 at June 30, 2014.

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 Schools, Chapter 9)

VALPARAISO COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2016, with Sharon Qualkenbush, Treasurer; Karl Cender, President of the School Board; Dr. E. Ric Frataccia, Superintendent of Schools; and Julie Lauck, Assistant Superintendent of Schools.