

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
RANDOLPH CENTRAL SCHOOL CORPORATION
RANDOLPH COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
05/20/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda Dodd	07-01-13 to 06-30-16
Superintendent of Schools	Dr. Gregory Hinshaw	07-01-13 to 06-30-16
President of the School Board	Dallas Osting Jeffrey W. Oswalt Bill Bush	01-01-13 to 12-31-13 01-01-14 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE RANDOLPH CENTRAL SCHOOL
CORPORATION, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the Randolph Central School Corporation (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 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.

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 29, 2016

RANDOLPH CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - SEGREGATION OF DUTIES RELATED TO THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We noted a deficiency in the internal control system of the School Corporation related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the SEFA. The School Corporation Treasurer prepared the SEFA; however there was no control in place to ensure that the prepared SEFA was complete and accurate.

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

During the audit of the SEFA, we noted the following errors:

- a. The value of commodities received by the School Corporation was not reported in the Child Nutrition Cluster. These omissions were \$52,727 for school year 2013-2014 and \$50,145 for school year 2014-2015.
- b. The expenditures that the Special Education Co-Operative (Greater Randolph Inter-local Co-Operative) made on behalf of the school corporation's students were not reported in the Special Education Cluster. These omissions were \$42,928 for school year 2013-2014 and \$60,081 for school year 2014-15.
- c. Total federal expenditures were incorrectly reported.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

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

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

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

RANDOLPH CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2015-002 - SUSPENSION AND DEBARMENT

Federal Agency: U.S .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): 14212-066-PN01, 14213-066-PN01,
14214-066-PN01, 14215-066-PN01,
99914-066-PN01, 45713-066-PN01,
45714-066-PN01, 45715-066-PN01

Pass-Through Entity: Indiana Department of Education

The Greater Randolph Interlocal Cooperative (GRIC) retains Special Education funds to pay vendors/contractors on behalf of the School Corporation. Management of the GRIC has not established an effective internal control system related to the grant agreement and the Suspension and Debarment compliance requirements.

RANDOLPH CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

There was no documentation to support that the entities selected to provide services were checked to the Excluded Party List System, were required to provide a certification that they were not suspended nor debarred from doing work paid for by federal funds, or that a clause or condition was added to the covered transaction.

2 CFR 180.300 Subpart C states:

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

"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 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 management of the GRIC and the School Corporation establish controls related to the grant agreement and compliance requirements listed above.



Randolph Central School Corporation

103 N. East Street • Winchester, IN 47394 • Telephone (765) 584-1401 • Fax (765) 584-1403

Gregory P. Hinshaw, Ed.D.
Superintendent

Lisa Chalfant
Curriculum Director/Grant Writer

CORRECTIVE ACTION PLAN

FINDING 2015-001 – SEGREGATION OF DUTIES RELATED TO THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Gregory Hinshaw
Contact Phone Number: 765 584-1401

Description of Corrective Action Plan:

The Treasurer now has access to the Indiana Department of Education, Division of School and Community Nutrition Services, website and will be responsible for obtaining the value of commodities received, and reporting those commodities correctly on the Schedule of Expenditures of Federal Awards (SEFA).

Now that we are aware that Greater Randolph Interlocal Cooperative will no longer be audited as a separate entity, the Treasurer will obtain from Greater Randolph Interlocal Cooperative the expenditures made on behalf of Randolph Central School Corporation and report them, as required, on the Schedule of Expenditures of Federal Awards (SEFA).

Anticipated Completion Date: February 29, 2016

Gregory P. Hinshaw
(Signature)

Superintendent
(Title)

2/29/2016
(Date)



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FINDING 2015-002 - SUSPENSION AND DEBARMENT

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Pass-Through Entity: Indiana Department of Education

Contact Person Responsible for Corrective Action: Gregory Hinshaw

Contact Phone Number: 765 584-1401

Description of Corrective Action Plan:

The Board of Greater Randolph Interlocal Cooperative decided, going forward, that Greater Randolph Interlocal Cooperative will no longer retain any funds (other than PreSchool funds) to pay vendors/contractors on our behalf.

If that should change in the future, the Treasurer of Greater Randolph Interlocal Cooperative is aware that she must verify that vendors/contractors are not "suspended", "debarred", or "otherwise excluded".

PreSchool funds are currently used solely for employee expenditures.

Anticipated Completion Date: February 29, 2016

Gregory P. Hinshaw
(Signature)

Superintendent
(Title)

2/29/2016
(Date)

RANDOLPH CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 29, 2016, with Linda Dodd, Treasurer; Dr. Gregory Hinshaw, Superintendent of Schools; and Bill Bush, President of the School Board.