

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
GREATER JASPER CONSOLIDATED SCHOOLS
DUBOIS COUNTY, INDIANA
July 1, 2013 to June 30, 2015



FILED
08/11/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Monica Young	07-01-13 to 12-31-16
Superintendent of Schools	Dr. Tracy Lorey	07-01-13 to 06-30-18
President of the School Board	Nancy L. Habig	07-01-13 to 12-31-16



STATE OF INDIANA
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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 GREATER JASPER CONSOLIDATED
SCHOOLS, DUBOIS COUNTY, INDIANA

This report is supplemental to our audit report of the Greater Jasper Consolidated 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/.

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 and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

June 20, 2016

GREATER JASPER CONSOLIDATED SCHOOLS
FEDERAL FINDINGS

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There was the following deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

The School Corporation had not separated incompatible activities related to cash and investments. The Administrative Secretary/Extra-Curricular Treasurer performed all bank reconciliations of the School Corporation's School Lunch and Textbook Rental funds as well as posted all transactions in the School Lunch and Textbook Rental ledgers. There was no oversight or review of the bank reconciliations.

Criteria

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)

Cause

Management of the School Corporation had not established a proper system of internal control, including segregation of duties.

Effect

The failure to establish controls would have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

FINDING 2015-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The School Corporation did not have a system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The following material differences noted on the SEFA: incorrectly listed or omitted program titles and other identifying numbers; one federal award was entirely omitted; total federal grants administered by the Exceptional Children's Co-op were

GREATER JASPER CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

included when only the School Corporation's share of the awards should have been included; and one award that was funded through a local grant was included. In total, federal expenditures were overstated on the SEFA by \$3,780,415. Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA presented in this report.

Criteria

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (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.

GREATER JASPER CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

- (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."

Cause

Management had not established a system of internal control that would have ensured accurate and complete reporting of federal expenditures on the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA would have remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

FINDING 2015-003 - PROCUREMENT AND SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Years: FY13/14, FY14/15

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an internal control system to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

There were no signed contracts between the School Corporation and the successful bidders for milk and bread purchases of the food service department. Bids were solicited and awarded to the lowest and most responsive bidder at a public meeting. The School Corporation was charged and paid the agreed-upon prices indicated in the bids. The School Corporation did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

Context

This was a systemic problem for both the School Breakfast and National School Lunch programs. The School Corporation awarded bids to two vendors for bread and milk commodities in 2013-2014 and 2014-2015 but did not sign contracts with either vendor. The School Corporation was not aware of the requirement to verify that vendors were not suspended or debarred prior to awarding the contracts and, therefore, did not perform any verification or obtain certifications that the vendors were not suspended or debarred.

GREATER JASPER CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

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. . . ."

7 CFR 3016.36(b)(2) states:

"Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

2 CFR 180.300 states in part:

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

Cause

Management of the School Corporation had not established an effective internal control system that would ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the compliance requirement to occur. A lack of internal controls would have also allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

GREATER JASPER CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2015-004 - REPORTING

Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Years: FY13/14, FY14/15
Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an internal control system to ensure compliance with the Reporting compliance requirement.

Monthly Sponsor Claims (claims for reimbursement) and the Annual Financial Reports were prepared by the School Corporation Administrative Secretary/Extra-Curricular Treasurer who also submitted the reports electronically on the Indiana Department of Education's website. There was no segregation of duties, such as an oversight, review, or approval process to ensure that the required reports were accurately prepared and submitted.

Context

This was a systemic problem with the School Breakfast and National School Lunch programs. At no point during the audit period was there evidence of oversight, review, or approval procedures for either the Sponsor Claims for Reimbursement or the Annual Financial Reports.

Criteria

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. . . ."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of internal controls would have also allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

GREATER JASPER CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls related to the compliance requirement listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.

FINDING 2015-005 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Education

Federal Program: Special Education-Grants to States

CFDA Number: 84.027

Federal Award Numbers: 14213-011-PN01, 14214-011-PN01, 14215-011-PN01, 99914-011-TA01

Pass-Through Entity: Indiana Department of Education

The School Corporation was a member of the Exceptional Children's Co-op (Cooperative). The Cooperative operated the Special Education-Grants to States program on behalf of the School Corporation and managed the Special Education-Grants to States grant funds.

Condition

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement. The Cooperative's Director signed the Application and Assurance Plan as a Condition of Federal Assistance, which stated that the Cooperative will check the subcontractors to make sure they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal agency or by any department, agency, or political subdivision of the State of Indiana. However, the Cooperative did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in Federal assistance programs prior to entering into a contract with them.

Context

During the 2014-2015 school year, there were two contracts entered into that exceeded \$25,000 and there was no evidence that the Cooperative verified that the vendor was not suspended or debarred prior to awarding the contracts. A search of the System of Award Manager Center website resulted in no active exclusions for either of these vendors.

Criteria

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. . . ."

GREATER JASPER CONSOLIDATED SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states in part:

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

34 CFR 80.35 states:

"Grantees and subgrantees must not make any award or permit any award (subgrant or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under Executive Order 12549, 'Debarment and Suspension.'"

Cause

Management had not developed a system of internal controls that would have ensured that the Cooperative complied with the Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance with the compliance requirement and the grant agreement to occur. A lack of internal control system would have also allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan, which is part of this report.



CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Monica A. Young, Treasurer
Contact Phone Number: 812-482-1801

Description of Corrective Action Plan: The Corporation Treasurer will verify the bank reconciliations for school lunch, textbook rental and the corporation accounts each month. The school board of trustees will be given a copy of the reconcilements each month.

Anticipated Completion Date: May 24, 2016

Monica Young
Signature

Treasurer
Title

5-24-2016
Date



CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Monica A. Young, Treasurer
Contact Phone Number: 812-482-1801

Description of Corrective Action Plan: Audit adjustments were proposed, accepted by the school, and made to the SEFA presented in this report. These adjustments resulted in the SEFA being reported correctly in relation to the financial reports.

Procedures for the preparation of the SEFA will be documented and internal controls established for proper review and approval of the SEFA before it is submitted.

Anticipated Completion Date: June 1, 2016

Monica Young
Signature

Treasurer
Title

6-1-2016
Date



CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Monica A. Young, Treasurer

Contact Phone Number: 812-482-1801

Description of Corrective Action Plan: The Corporation will make sure the milk and bread bidders are not suspended or debarred in participation in the federal assistance program prior to entering into a contract. The companies awarded the bids will give signed contracts to the corporation.

Anticipated Completion Date: May 24, 2016

Monica Young
Signature

Treasurer
Title

5-24-2016
Date



CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Monica A. Young, Treasurer

Contact Phone Number: 812-482-1801

Description of Corrective Action Plan: Sponsor claims for reimbursement for school breakfast and school lunch and the Annual Financial Reports are prepared by the Corporation Secretary/Extra Curricular Treasurer and will be reviewed by the Superintendent before submitting them electronically to the Indiana Department of Education's website.

Anticipated Completion Date: May 24, 2016

Monica Young
Signature

Treasurer
Title

5-24-2016
Date



CORRECTIVE ACTION PLAN

FINDING 2015-005

Contact Person Responsible for Corrective Action: Monica A. Young, Treasurer

Contact Phone Number: 812-482-1801

Description of Corrective Action Plan: The Exceptional Children's Co-op will check the subcontractors to make sure they are not presently debarred, suspended, proposed debarment, declared ineligible or voluntarily excluded by any federal agency or by any department, agency or political subdivision of the State of Indiana before contracts are signed.

Anticipated Completion Date: May 24, 2016

Monica Young
Signature

Treasurer
Title

5-24-2016
Date

GREATER JASPER CONSOLIDATED SCHOOLS AUDIT RESULTS AND COMMENTS

POSTING CONTRACTS ON SCHOOL WEBSITE

As of March 30, 2016, the current Superintendent of Schools' contract and many of the School Corporation Administrators' contracts have not been posted on the School Corporation's website.

Indiana Code 20-26-5-4.3(d) states: "A governing body shall post the provisions of an employment contract that the governing body enters into with a superintendent of the school corporation on the school corporation's Internet web site."

Indiana Code 20-26-5-4.7(b) states: "The superintendent shall post the provisions of an employment contract that the school corporation enters into with a certificated employee on the school corporation's Internet web site."

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The designated building level personnel did not provide written certification that the detailed student records maintained to support the ADM claimed was accurate for Jasper Middle School for September 2014 and Tenth Street Elementary for February 2015.

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

COLLECTIVE BARGAINING AGREEMENT

The School Corporation did not post the collective bargaining agreement that was dated September 16, 2013, on the School Corporation's website within 14 days.

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."

FUND SOURCES AND USES

The School Corporation disbursed \$40,664 for trash removal and \$7,922 for pest control from the Capital Projects fund during the audit period. These disbursements should have been made from the General fund.

A similar comment appeared in prior Report B43236.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

GREATER JASPER CONSOLIDATED SCHOOLS
AUDIT RESULTS AND COMMENTS
(Continued)

CURRICULAR MATERIAL RENTAL AND EDUCATIONAL FEES

The School Corporation charged various educational fees to the students. There was no written opinion from the School Corporation attorney concerning whether the fees were appropriate in regards to Constitutional provisions. The educational fees were maintained in the textbook rental extra-curricular account instead of being remitted to the School Corporation's central office to be deposited into the School Corporation General fund.

Supporting documentation was not presented for audit to support the calculations of the curricular material rental that was charged during the audit period. It was noted that the calculation did include an estimated shipping charge at a flat percentage instead of using the actual shipping charges from the paid invoices.

A similar comment has appeared in prior reports.

IC 20-26-4-1 concerning duties of the School Corporation Treasurer, states in part: "The treasurer is the official custodian of all funds of the school corporation and is responsible for the proper safeguarding and accounting for the funds. . . ." Therefore, all grant monies and properly authorized fees at an individual building should be transferred to the School Corporation Central Office on a timely and regular basis for receipting into the appropriate school corporation fund. The School Corporation Attorney should provide written guidance concerning whether fees are appropriate in regards to Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 6)

Indiana Code 20-26-12-2 states:

"(a) A governing body may purchase from a publisher any curricular material selected by the proper local officials. The governing body may rent the curricular materials to students enrolled in any public or nonpublic school that is:

- (1) in compliance with the minimum certifications standards of the state board; and
- (2) located within the attendance unit served by the governing body.

The annual rental rate may not exceed twenty-five percent (25%) of the retail price of the curricular materials.

(b) Notwithstanding subsection (a), the governing body may not assess a rental fee of more than twenty-five percent (25%) of the retail price of curricular materials that have been:

- (1) extended for usage by students under section 24(e) of this chapter; and
- (2) paid for through rental fees previously collected.

(c) This section does not limit other laws."

GREATER JASPER CONSOLIDATED SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on June 20, 2016, with Monica Young, Treasurer; Dr. Tracy Lorey, Superintendent of Schools; Wanda L. Dickenson, Deputy Treasurer; Nancy L. Habig, President of the School Board; and April Hopf, Administrative Secretary/Extra-Curricular Treasurer.