

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

RISING SUN - OHIO COUNTY
COMMUNITY SCHOOL CORPORATION
OHIO COUNTY, INDIANA

July 1, 2012 to June 30, 2014



FILED
09/07/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kelli Keith	01-01-12 to 12-31-16
Superintendent of Schools	Stephen Patz Branden Roeder	07-01-12 to 06-30-14 07-01-14 to 06-30-18
President of the School Board	Corey Potts Harlan Holt Hoffman William Hayes Corey Potts	01-01-12 to 12-31-14 01-01-15 to 09-09-15 09-10-15 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE RISING SUN - OHIO COUNTY COMMUNITY
SCHOOL CORPORATION, OHIO COUNTY, INDIANA

This report is supplemental to our audit report of the Rising Sun - Ohio County Community School Corporation (School Corporation), for the period from July 1, 2012, to June 30, 2014. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings 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

July 11, 2016

RISING SUN - OHIO COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2014-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The following deficiencies constitute material weaknesses.

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts, disbursements and cash and investment balances. The Treasurer was primarily responsible for issuing, posting, and depositing receipts; issuing, posting, and processing disbursements; and reconciling the funds ledger to the depository balance.

The failure to establish these controls would have enabled material misstatements or irregularities to remain undetected. Control activities should have been in place to reduce the risks of errors in financial reporting.

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

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

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

There was the following deficiency in the internal control system of the School Corporation related to reporting. The following deficiency constitutes a material weakness.

Control activities should have been developed at various levels of the School Corporation to reduce risks to the achievement of financial reporting objectives. The School Corporation had not separated incompatible activities related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The Treasurer was responsible for preparation and submission of the SEFA. There was no control in place to ensure the SEFA was accurate prior to submitting. The failure to establish these controls would have enabled material misstatements or irregularities to remain undetected.

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)

RISING SUN - OHIO COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

***FINDING 2014-003 - CASH MANAGEMENT, ELIGIBILITY, PROGRAM INCOME,
REPORTING, AND SPECIAL TESTS AND PROVISIONS***

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-6080, 14-6080

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Cash Management, Eligibility, Program Income, Reporting, and Special Tests and Provisions.

Cash Management

The Lunch Treasurer periodically monitored the balance in the School Lunch fund. There were no controls in place to ensure the School Lunch fund balance was maintained in compliance with Cash Management requirements.

Eligibility

One individual is responsible for inputting free and reduced price lunch applications into the computer software system to determine eligibility. There was no control in place to ensure that the information entered was accurate and to ensure the eligibility determination was correct.

Program Income

There is not adequate segregation of duties to ensure program income was properly recorded in the School Lunch fund.

Reporting

The Sponsor Claims (claims for reimbursement), the Annual Financial Reports, and the Verification Summary reports were prepared and submitted by the Lunch Treasurer. There was no control in place to ensure these reports were accurate prior to submission.

Special Tests and Provisions - Verification of Free and Reduced Price Applications

The Superintendent of Schools was responsible for reviewing the verification of free and reduced price lunch applications performed by the Lunch Treasurer, and signing as the verifying official on the application. This control was not properly implemented, the applications did not always contain the Superintendent's signature.

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. . . ."

RISING SUN - OHIO COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The failure to establish internal controls would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted 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 compliance requirements listed above.

FINDING 2014-004 - SPECIAL TESTS AND PROVISIONS

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 13-6080, 14-6080

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirement: Special Tests and Provisions - Paid Lunch Equity.

The annual calculation for paid lunch equity was prepared by the Lunch Treasurer. There was no control in place to ensure compliance with Paid Lunch Equity requirements.

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 would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted 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 compliance requirement listed above.

FINDING 2014-005 - 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 Numbers and Years (or Other Identifying Numbers): 13-6080, 14-6080

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Suspension and Debarment compliance requirement.

RISING SUN - OHIO COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation failed to provide evidence that a search of the System for Award Management was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract for the vendor.

During fiscal year 2012-2013, the School Corporation entered into a contract with one vendor for the vendor. A search of the System of Award Manager website resulted in no active exclusions for this vendor.

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."

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 enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted 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 Suspension and Debarment requirements of the programs.

FINDING 2014-006 - CASH MANAGEMENT AND REPORTING

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 (or Other Identifying Numbers): 14212-052-PN01, 14213-052-PN01,
14214-052-PN01, 99914-052-TA01,
45712-052-PN01, 45713-052-PN01,
45714-052-PN01

Pass-Through Entity: Indiana Department of Education

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

RISING SUN - OHIO COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation designated a fiscal agent to receive and manage the funding of the Special Education programs. The School Corporation had no controls in place to monitor the fiscal agent's system of internal control. There were the following deficiencies in the internal control system of the fiscal agent:

Cash Management

Requests for Reimbursement were prepared by the fiscal agent's Treasurer. There was no control in place to ensure that expenditures were paid prior to requesting reimbursement.

Reporting

The Requests for Reimbursement and Final Expenditure Reports were prepared and submitted by the fiscal agent's Treasurer. There was no control in place to ensure that the reports were accurate prior to submission.

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 would have enabled material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements could have resulted 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 compliance requirements listed above.



Rising Sun ~ Ohio County Community Schools

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CORRECTIVE ACTION PLAN

FINDING 2014-001 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Jennifer Craig/Kelli Keith

Contact Phone Number: 812-438-2626/812-438-2655

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We will have another staff member help with the initial verifications and verify that the balances in the computer are correct. A second staff member will prepare deposits and sign off on bank reconciliations.

Anticipated Completion Date: 7/1/2016

FINDING 2014-002 – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Jennifer Craig

Contact Phone Number: 812-438-2626

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Federal reports will be reviewed by another staff member.

Anticipated Completion Date: 7/1/2016

FINDING 2014-003 – CASH MANAGEMENT, ELIGIBILITY, PROGRAM INCOME, REPORTING, AND SPECIAL TESTS AND PROVISIONS

Contact Person Responsible for Corrective Action: Rita Scudder/Jennifer Craig

Contact Phone Number: 812-438-2655/812-438-2626

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We will monitor the cash balance to ensure it does not exceed the total of 3 months expenditures. Free and reduced lunch applications will be reviewed by a second staff member. Also, a second staff member will review State reimbursement reports and sign off on them for accuracy.

Anticipated Completion Date: 7/1/2016

FINDING 2014-004 – SPECIAL TESTS AND PROVISIONS

Contact Person Responsible for Corrective Action: Jennifer Craig

Contact Phone Number: 812-438-2626

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We will have another staff member review prices charged per student, review computer printouts, review weighted average meal prices, and sign off on the above.

FINDING 2014-005 – SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Rita Scudder/Jennifer Craig

Contact Phone Number: 812-438-2655/812-438-2626

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Federal website will be used to verify vendors.

Anticipated Completion Date: 7/1/2016

FINDING 2014-006 – CASH MANAGEMENT AND REPORTING

Contact Person Responsible for Corrective Action: Marcia Fullenkamp

Contact Phone Number: 812-623-2315

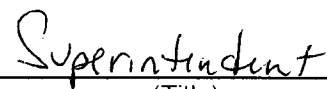
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The request for reimbursement will be signed off by the fiscal agent treasurer and the director of special education.

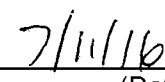
Anticipated Completion Date: 7/1/2016



(Signature)



(Title)



(Date)

RISING SUN - OHIO COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

HONORS DIPLOMA - INCORRECT REPORTING TO THE STATE

The information presented for audit indicated the number of Academic Honors diplomas reported to the state was incorrect for the school year ending June 30, 2013. For the graduating class of 2011-2012, reported to the state in the fall of 2012, the School Corporation reported 21 honors diplomas, but School Corporation records provided indicated 22 Academic Honors diplomas were awarded.

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)

ERRORS ON CLAIMS

A test of claims identified the following deficiency with an error rate greater than 10 percent:

None of the claims for Southeastern Insurance Consortium expenses had written approval from the School Corporation Board.

Indiana Code 5-11-10-1.6 states in part:

" . . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."



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OFFICIAL RESPONSE

July 11, 2016

Indiana State Board of Accounts
302 W. Washington St.
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Indianapolis, IN 46204-2765

RE: Errors on Claims

The claims for the Southeastern Insurance School Insurance Consortium (SISIC) were paid per instructions set forth by the SISIC Board of Directors as recorded in the minutes of the meetings of the SISIC Board.

If there are any questions, please feel free to contact at the number above.

Sincerely,

A handwritten signature in black ink that reads "Branden Roeder".

Branden Roeder
Superintendent

RISING SUN - OHIO COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2016, with Kelli Keith, Treasurer; Branden Roeder, Superintendent of Schools; and Corey Potts, President of the School Board.