

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OAK HILL UNITED SCHOOL CORPORATION

GRANT COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/14/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debra S. Smith	01-01-13 to 12-31-16
Superintendent of Schools	Joel G. Martin	07-01-13 to 06-30-17
President of the School Board	Douglas A. Daugherty Ryan Smith Scott A. Dubois Scott Deaton	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 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 OAK HILL UNITED SCHOOL CORPORATION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the Oak Hill United 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

June 28, 2016

OAK HILL UNITED SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - CASH MANAGEMENT, REPORTING, SPECIAL TESTS AND PROVISIONS - VERIFICATION OF FREE AND REDUCED PRICE APPLICATIONS (NSLP), AND SPECIAL TESTS AND PROVISIONS - PAID LUNCH EQUITY

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): FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

The School Corporation had not established a control to ensure that the food service balance was less than or equal to the average expenditures for three months.

Reporting

The Food Service Director prepared and submitted the Sponsor Claims (claims for reimbursement) and a School Food Authority (SFA) Verification Collection Report; however, there was no control in place to determine whether the reports were correct.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The Food Service Director performed the verifications; however, there was no control in place to determine whether the verifications performed were correct.

Special Tests and Provisions - Paid Lunch Equity

The Food Service Director calculated the weighted average price for the School Corporation; however, there was no control to ensure the calculation was correct.

Context

Internal control issues were systemic, occurring throughout the audit period.

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. . . ."

OAK HILL UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system would have placed 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 would have also allowed noncompliance with compliance requirements and 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, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

***FINDING 2015-002 - EQUIPMENT AND REAL PROPERTY MANAGEMENT,
LEVEL OF EFFORT, AND PERIOD OF AVAILABILITY***

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): 14213-021-PN01, A58-3-13DL-1453,
4214-021-PN01, 9914-21-TA01,
14215-021-PN01, 45713-021-PN01,
45714-021-PN01, 45715-021-PN01

Pass-Through Entity: Indiana Department of Education

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Equipment and Real Property Management, Level of Effort, and Period of Availability of Public Funds.

Equipment and Real Property Management

An annual inventory of capital assets was maintained by the School Corporation Treasurer; however, there was no segregation of duties, such as an oversight, review, or approval process to ensure the accuracy of the annual inventory.

OAK HILL UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Level of Effort - Maintenance of Effort (MOE)

The School Corporation was a member of a Special Education Cooperative (Cooperative). The School Corporation Treasurer independently prepared and submitted to the Cooperative the MOE calculation worksheet. There was no segregation of duties, such as an oversight, review, or approval process to ensure the accuracy of the MOE calculation worksheet.

Period of Availability

When adjusting entries were made, proper oversight was not being performed to ensure the adjustment was created for a transaction that occurred during the period of availability.

Context

Internal control issues were systemic, occurring throughout the audit period.

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 segregated key functions.

Effect

The failure to establish an effective internal control system would have placed 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 would have also allowed noncompliance with compliance requirements and 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, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

OAK HILL UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-003 - SUSPENSION AND DEBARMENT

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): 14213-021-PN01, A58-3-13DL-1453,
14214-021-PN01, 99914-21-
TA01,
14215-021-PN01, 45713-021-
PN01,
45714-021-PN01, 45715-021-
PN01

Pass-Through Entity: Indiana Department of Education

Condition

Oversight did not exist to ensure that a process was in place to prevent contracts from being awarded to a suspended or debarred party.

Context

The School Corporation had not verified that the contracts awarded during the audit period did not include entities suspended nor debarred from doing work paid for by federal funds, or that a clause or condition was added to the covered transaction.

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. . . ."

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 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 had not developed a system of internal controls that segregated key functions.

OAK HILL UNITED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system would have placed 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 allowed noncompliance with the compliance requirement and would have 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, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

Effect

The failure to establish an effective internal control system would have placed 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 have also allowed noncompliance with the compliance requirement and could have 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 establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

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

Oak Hill United School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Debra Smith
Contact Phone Number: 765-395-3341

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash Management

The Corporation Treasurer will begin checking the month end cash balance of the Food Service Fund as it compares to 3 months average operating expenses each month. Treasurer will begin doing this with the 6/30/16 cash balance and maintain documentation of the results each month.

Reporting

The Food Service Director will begin sending the Sponsor Claim report and supporting documentation to the Administration office each month. The Corporation Deputy Treasurer/Extra-Curricular Treasurer will then review the Sponsor Claim report for accuracy and document such review. This process will begin happening immediately with the next Sponsor Claim report completed by the Food Service Director.

Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP)

The Food Service Director shall perform the initial verification of the sample of approved free and reduced price meal applications and then the High School Head Cook will conduct a second review of the sample of approved free and reduced price meal applications for verification of accuracy. The Head Cook will document this review. This procedure will begin happening with the applications on file as of October 1, 2016.

Special Tests and Provisions – Paid Lunch Equity

The Food Service Director shall complete the initial calculation of the school corporation's weighted average price and then she will send the calculation along with supporting documentation to the Administration office. The Corporation Deputy Treasurer/Extra-Curricular Treasurer will then review the calculation and supporting documentation to insure that the calculation was completed by correctly by the Food Service Director and maintain documentation of this review. This procedure will begin immediately with review of the Director's calculation of the weighted average price for the 2016-17 School Year.

Anticipated Completion Date:

Immediately as noted above for each item.

Debra Smith
(Signature)

Treasurer
(Title)

6/28/16
(Date)

Oak Hill United School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Debra Smith
Contact Phone Number: 765-395-3341

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Equipment

The Corporation Treasurer will begin having the Director of Special Services review the annual inventory of capital assets maintained for the Federal Special Education program and document that the inventory as prepared by the Corporation Treasurer is correct. This procedure will begin happening with the 6/30/16 inventory report.

Level of Effort – Maintenance of Effort

The Corporation Treasurer will continue to prepare the annual Maintenance of Effort report. The Treasurer will then submit the report and the supporting documentation to the Corporation Superintendent. The Superintendent will then review the report for accuracy and document his review. The report will then be submitted to the Pass-Through Entity. This procedure will begin happening with the 6/30/16 Maintenance of Effort report preparation.

Period of Availability of Public Funds

All adjusting entries are completed by the Corporation Treasurer. On a monthly basis, the Corporation Treasurer will present a listing of adjusting entries made during the month and the supporting documentation to the Corporation Deputy Treasurer for review of the accuracy of the adjustment. Such review will be documented. This procedure will begin happening with all adjusting entries made for the month of June 2016.

Anticipated Completion Date:

Immediately as noted above for each item.

Debra Smith
(Signature)

Treasurer
(Title)

6/28/16
(Date)



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CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Debra Smith
Contact Phone Number: 765-395-3341

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Suspension and Debarment Requirements

The Corporation Treasurer will begin annually checking the Excluded Parties List System (EPLS) for all contracts awarded for services paid for from federal program funds in an amount of at least \$25,000 during the fiscal years within the audit cycle. The Treasurer will maintain documentation that this review has been completed. This procedure will begin with any contracts entered into as of 7/1/2015 that meet this \$25,000 threshold

Anticipated Completion Date:

Immediately as noted above for each item.

Debra Smith
(Signature)

Treasurer
(Title)

6/28/16
(Date)

OAK HILL UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 28, 2016, with Debra S. Smith, Treasurer; Joel G. Martin, Superintendent of Schools; and Douglas A. Daugherty, Secretary of the School Board.