

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RENSELAER CENTRAL SCHOOL CORPORATION

JASPER COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
08/02/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn D. Claussen	07-01-13 to 06-30-17
Superintendent of Schools	Ned Speicher Curtis Craig	07-01-13 to 12-31-16 01-01-17 to 06-30-17
President of the School Board	Rich Ludington Charles Parrish	07-01-13 to 06-30-16 07-01-16 to 12-31-17



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE RENSSELAER CENTRAL SCHOOL
CORPORATION, JASPER COUNTY, INDIANA

This report is supplemental to our audit report of the Rensselaer 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 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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

May 22, 2017

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

1. Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and investments, receipts, disbursements, and preparation of the financial statement.

The School Corporation had a small office staff and segregation of duties was not always possible. One employee prepared the cash reconciliation and issued, recorded, reconciled and reported receipts. One employee prepared and recorded the non-payroll disbursements. One employee prepared and recorded payroll disbursements. There was no segregation of duties such as an oversight, review, or approval process.

2. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to monitor and assess the quality of the system of internal control.
3. Preparing Financial Statements: The School Corporation had not identified risks to the preparation of a reliable financial statement and, as a result, failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

The Form 9, which included financial activity of all funds and was the basis for the financial statement, was signed by the Treasurer, Superintendent of Schools, and President of the School Board. Although the reports contained all of the required certifications, there was no evidence of adequate oversight or review before submission.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . .

- Accurate and timely recording of transactions. . . ."

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented. . . .

Management remediates identified issues. . . ."

Cause

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

Effect

The failure to establish controls could 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 that 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 proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without controls to ensure its accuracy before submission.

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster did not include commodities of \$63,717 and \$60,155 for the years ended June 30, 2014 and 2015, respectively.
2. The Special Education Cluster (IDEA) expenditures were understated by \$447,496 for the year ended June 30, 2014, and overstated by \$428,381 for the year ended June 30, 2015.

RENSSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

3. The Title I Grants to Local Educational Agencies expenditures were understated by \$45,133 for the year ended June 30, 2014.
4. The English Language Acquisition State Grants expenditures were understated by \$5,603 for the year ended June 30, 2015.
5. The Improving Teacher Quality State Grants expenditures were understated by \$41,688 for the year ended June 30, 2014.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . .

- Accurate and timely recording of transactions. . . ."

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 in part:

"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:

RENSSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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.
..."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

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

FINDING 2015-003 - INTERNAL CONTROLS OVER THE CHILD NUTRITION CLUSTER

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 Numbers and Years (or Other Identifying Numbers): FY 13-14, FY 14-15

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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed, Allowable Costs/Cost Principles

The School Corporation had not established an effective internal control system to ensure that vendor disbursements were for allowable activities and allowable costs. The Food Service Director did not review program expenditures prior to payment.

Procurement and Suspension and Debarment

There were no controls to ensure compliance with the Procurement requirements of the programs. There was a School Board policy governing federal procurements; however, Food Service officials were unaware of the policy and the Procurement requirements for the programs.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure accurate reporting of the School Food Authority (SFA) Verification Collection Reports, Annual Financial Report, and monthly Sponsor Claims (claims for reimbursement). An oversight or review process had not been established.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the paid lunch equity calculations were accurate. An oversight or review process had not been established.

Context

The lack of controls was a systemic problem. There were no controls 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

The School Corporation had not designed or implemented adequate policies and procedures that segregated key functions related to the compliance requirements listed above.

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 requirements. The lack of segregation of duties within an internal control system could 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.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the 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 2015-004 - CASH MANAGEMENT

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 13-14, FY 14-15

Pass-Through Entity: Indiana Department of Education

Condition

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balance (Net Cash Resources) did not exceed the 3 months average expenditures. An oversight or review process had not been established.

The School Corporation did not comply with the Cash Management requirement that they limit their cash balance to the 3 months average expenditures.

Context

This is a systemic problem. The cash balance in the School Lunch fund (Net Cash Resources) exceeded the 3 months average expenditures for all 24 months of 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. . . ."

7 CFR 210.14(b) states:

"*Net cash resources.* The school food authority shall 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 by the State agency in accordance with §210.19(a)."

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Cash Management requirements of the programs.

Effect

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

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 the Cash Management requirements. We also recommended the School Corporation comply with the Cash Management requirements.

Views of Responsible Officials

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

FINDING 2015-005 - SUSPENSION AND DEBARMENT

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 Numbers and Years (or Other Identifying Numbers): FY 13-14, FY 14-15

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 Procurement and Suspension and Debarment compliance requirement. There were no controls to ensure that vendors were not suspended or debarred from participation in federal programs.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not comply with the Procurement and Suspension and Debarment requirements. They did not complete any of the possible actions to ensure that contractors procured were not suspended or debarred.

Context

This was a systemic problem. The School Corporation failed to comply with the Procurement and Suspension and Debarment compliance requirement 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. . . ."

2 CFR 180.300 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 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 would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish controls, including segregation of duties related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. We also recommended that the School Corporation comply with the Procurement and Suspension and Debarment compliance requirement.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2015-006 - 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 Numbers and Years (or Other Identifying Numbers): FY 13-14, FY 14-15

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 Program Income compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records. An oversight or review process had not been established.

The School Corporation did not comply with Program Income requirements. They did not transfer the correct amount of sales from the prepaid food account. The transfers of prepayments from the Lunch Fund Student/Adult Prepaid fund to the School Lunch fund was the difference between the beginning balance in the account and the ending positive prepaid balance per the eTriton food service software. The difference was transferred to the School Lunch fund in order to balance.

Context

This is a systemic problem. Program Income was not properly recorded in the School Lunch fund 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. . . ."

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)

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

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

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 the Program Income requirements. We also recommended that the School Corporation comply with the Program Income requirements.

Views of Responsible Officials

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

FINDING 2015-007 - PROCUREMENT

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): 14213-051-PN01, 14214-051-PN01,
14215-051-PN01, A58-3-13DL-065,
99914-051-TA01, 45713-051-PN01,
45714-051-PN01, 45715-051-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 Procurement and Suspension and Debarment compliance requirement.

The Director of Special Education was responsible for contracting with Occupational Therapists. There were no controls to ensure that the contracts were procured in accordance with program requirements.

Context

This was a systemic problem. The School Corporation did not have controls in place throughout the audit period.

RENSELAER CENTRAL SCHOOL CORPORATION
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. . . ."

Cause

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

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 segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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 the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2015-008 - 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): 14213-051-PN01, 14214-051-PN01,
14215-051-PN01, A58-3-13DL-065,
99914-051-TA01, 45713-051-PN01,
45714-051-PN01, 45715-051-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 Reporting compliance requirement.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation had no policies or procedures in place to ensure compliance with Reporting requirements for the Final Expenditure Reports. There was no written evidence of a review prior to submission of the Final Expenditure Reports.

Context

A Final Expenditure Report was prepared for each grant and the lack of controls applied to all Final Expenditure Reports submitted.

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 placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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, to ensure compliance related to the grant agreement and the Reporting requirements.

Views of Responsible Officials

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

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-009 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Education

Federal Program: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-051-PN01, 14214-051-PN01,
14215-051-PN01, A58-3-13DL-065,
99914-051-TA01, 45713-051-PN01,
45714-051-PN01, 45715-051-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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have adequate policies and procedures in place to ensure that contractors procured for personal services were not suspended or debarred from participation in federal programs. The School Corporation did not complete any of the possible actions to ensure that contractors procured were not suspended or debarred.

Context

This lack of controls and compliance was a systemic problem which occurred 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. . . ."

2 CFR 180.300 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 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 would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

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 the Procurement and Suspension and Debarment compliance requirement. We also recommended the School Corporation comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

***FINDING 2015-010 - INTERNAL CONTROL 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 (or Other Identifying Numbers): 12-3815, 13-3815, 14-3815

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: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability, Cash Management, Level of Effort, Reporting, Special Tests and Provisions - Schoolwide Programs, and Special Tests and Provisions - Comparability.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability

Literacy Coaches were salaried positions paid from Title I funding. There were no controls to ensure that their salaries were allowable activities and allowable costs, or that their salaries were within the period of availability of the program. There was no evidence of a review or approval process.

Cash Management

There were no controls to ensure compliance with the Cash Management requirement that expenditures were paid before reimbursement was requested. The Treasurer prepared the monthly Reimbursement Form from supporting documentation. There was no evidence of adequate oversight or review of the supporting documentation to ensure prior payment before submission.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Level of Effort

The amounts used in the computation of Maintenance of Effort (MOE) were calculated at the State level using the Form 9. These reports, which included financial activity of all funds and were the basis for the financial statement, were signed by the Treasurer, Superintendent of Schools, and President of the School Board. Although the reports contained all of the required certifications, there was no written evidence of adequate oversight or review before submission.

Reporting

Reimbursement Forms

Monthly Reimbursement Forms were prepared by the Treasurer and reviewed by the Title I Director. There was no evidence of adequate oversight or review of the supporting documentation before submission of the Reimbursement Forms.

Final Expenditure Report

The Final Expenditure Report was prepared annually by the Treasurer and reviewed by the Title I Director. There was no evidence of adequate oversight or review of the supporting documentation before submission of the Final Expenditure Reports.

Student Per Pupil Expenditure Report

There were no controls to ensure the accuracy of the financial information submitted by the School Corporation and used by the Indiana Department of Education (IDOE) to file State Per Pupil Expenditure (SPPE) reports. The Form 9, which included financial activity of all funds and was the basis for the financial statement, was signed by the Treasurer, Superintendent of Schools, and President of the School Board. Although the reports contained all of the required certifications, there was no evidence of adequate oversight or review before submission.

Special Tests and Provisions

Schoolwide Programs

The Elementary School Principal prepared a School Improvement Plan for Rensselaer Central Elementary School each year. No documentation was presented to indicate that the Superintendent of Schools or School Board reviewed and approved each of the School Improvement Plans.

Comparability

The Title I Director independently prepared the Comparability Report. There were no controls to ensure that the report was accurate prior to submission.

Context

The lack of controls was a systemic problem. There was no written evidence of controls throughout the audit period.

RENSELAER CENTRAL SCHOOL CORPORATION
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. . . ."

Cause

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

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 requirements. A lack of segregation of duties within an internal control system could 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 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 the 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.

RENSELAEER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-001 – Financial Transactions and Reporting

Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer

Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

1. **Lack of Segregation of Duties** – The Corporation Treasurer's office will review the office procedures and institute duties that would involve another employee in the office to review receipts, disbursements and preparation of the financial statements.
2. **Monitoring of Controls** – The Corporation Treasurer's office will review the office procedures and institute duties to monitor and assess the quality of the system of internal controls.
3. **Preparing Financial Statement** – The Corporation Treasurer's office will review the office procedures and institute controls over the preparation of the financial statement to prevent or detect material misstatements. The Form 9 report will be reviewed by the Board of School Trustees and signed by the President, Superintendent and the Treasurer before being submitted. Supporting documents of the ledger activity will be provided to the Superintendent and President to use in their reviews and the documents will be retained for audit.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office

Anticipated Completion Date: June 30, 2017



(Signature)

Superintendent

(Title)

May 19, 2017

(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSSELAER CENTRAL SCHOOLS CORPORATION

CORRECTIVE ACTION PLAN

Mr. Curtis Craig
Superintendent

FINDING 2015-002 – Preparation of the Schedule of Expenditures of Federal Awards

Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer


Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

The Corporation's Treasurer's office will establish a procedure to make sure the correct expenditures are reported on the SEFA report before submitted on Gateway. A spreadsheet will be created and reviewed before entering on the Annual Report.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office

Anticipated Completion Date: June 30, 2017



(Signature)
Superintendent

(Title)
May 19, 2017

(Date)

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RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-003 – Internal Controls over the Child Nutrition Cluster

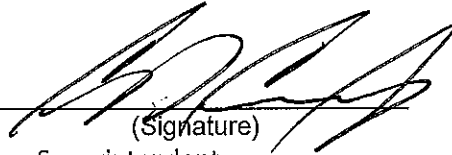
Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer, Lori Zeider, Food Service Director
Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

1. **Activities Allowed and Unallowed and Allowable Cost/Cost Principles** - The School Corporation will establish an effective internal control system. As of July 1, 2015, the School Corporation took over the financial responsibility of the Rensselaer Lunch program. The expenditures are submitted by the Food Service Director who signs them to indicate the expenditures are allowed activities and costs and processed by the Treasurer for payment.
2. **Procurement** -- The Food Service Director is aware of the School Board policy and will follow the procedures.
3. **Reporting** – The School Corporation will design procedures to ensure adequate reporting done by the Food Service Director and Treasurer.
4. **Special Tests and Provisions** – Paid Lunch Equity – The School Corporation will design an adequate procedure to ensure the calculations were accurate.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office.

Anticipated Completion Date: June 30, 2017



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RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-004 – Cash Management

Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer, Lori Zeider, Food Service Director
Contact Phone Number: 219-866-7822


Description of Corrective Action Plan:

The School Corporation and the Food Service Director will review the policies and procedures on an annual basis.

The Food Service Director will prepare the three month rolling average of expenditures and compare that amount with the end of month balance of the School Lunch Fund. The Treasurer will review the three month's average expenditures in compliance with Cash Management requirements.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office

Anticipated Completion Date: June 30, 2017



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RENSSELAER CENTRAL SCHOOLS CORPORATION

CORRECTIVE ACTION PLAN

Mr. Curtis Craig
Superintendent

FINDING 2015-005 – Suspension and Debarment

Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer, Lori Zeider, Food Service Director

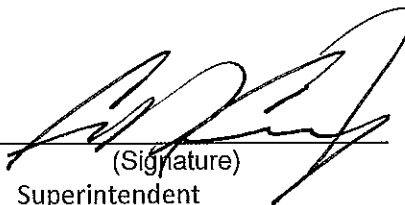
Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

The School Lunch fund will implement the internal control of certifying all vendors purchases are from a reputable company and in good standing. The Certification regarding Debarment, Suspension, Indelibility, and Voluntary Exclusion form will be sent along with the bid process. The SAM Exclusion website will also be viewed and a printout retained for documentation.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office.

Anticipated Completion Date: June 30, 2017



(Signature)
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May 19, 2017

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RENSELAER CENTRAL SCHOOLS CORPORATION

CORRECTIVE ACTION PLAN

Mr. Curtis Craig
Superintendent

FINDING 2015-006 – Program Income

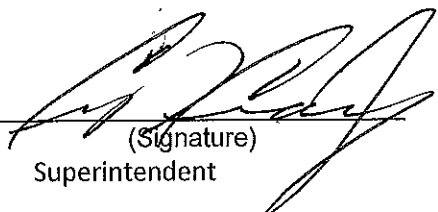
Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer, Lori Zeider, Food Service Director
Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

The School Corporation will implement internal controls over the program income transfers of sales from the pre-paid fund to the school lunch fund on monthly basis.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office.

Anticipated Completion Date: June 30, 2017



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RENSSELAER CENTRAL SCHOOLS CORPORATION

CORRECTIVE ACTION PLAN

Mr. Curtis Craig
Superintendent

FINDING 2015-007 – Procurement


Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer
Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

During this audit period, Cooperative School Services LEA was West Central School Corporation. As of July 1, 2016, the LEA of Cooperative School Services was transferred to Rensselaer Central Schools. Rensselaer Central Schools will work with Cooperative School Services to implement an internal control system to ensure compliance with requirements related to the grant agreement and the Procurement compliance requirements are met.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office

Anticipated Completion Date: June 30, 2017



(Signature)
Superintendent

(Title)
May 19, 2017

(Date)

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RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-008 – Reporting


Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer
Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

During this audit period, Cooperative School Services LEA was West Central School Corporation. As of July 1, 2016, the LEA of Cooperative School Services was transferred to Rensselaer Central Schools. Rensselaer Central Schools will work with Cooperative School Services to implement procedures to ensure compliance requirements related to the grant agreement and the reporting compliance requirements are met.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office

Anticipated Completion Date: June 30, 2017



(Signature)
Superintendent

(Title)

May 19, 2017

(Date)

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RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-009 – Suspension and Debarment

Contact Person Responsible for Corrective Action: Curtis Craig – Superintendent and Dawn Claussen, Treasurer
Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

During this audit period, Cooperative School Services LEA was West Central School Corporation. As of July 1, 2016, the LEA of Cooperative School Services was transferred to Rensselaer Central Schools. Rensselaer Central Schools will work with Cooperative School Services to implement procedures to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirements are met.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office

Anticipated Completion Date: June 30, 2017



(Signature)
Superintendent

(Title)
May 19, 2017

(Date)

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RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2015-010 – Internal Control over Title I Grants to Local Educational Agencies

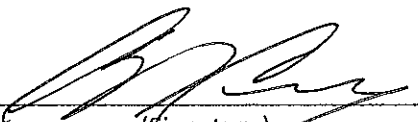
Contact Person Responsible for Corrective Action: Jennifer Norris, Title I Director, Curtis Craig, Superintendent and Dawn Claussen, Treasurer
Contact Phone Number: 219-866-7822

Description of Corrective Action Plan:

1. **Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability:** The Title I Director, Superintendent and Treasurer will draft administrative guidelines to implement an internal control system to ensure compliance with requirements.
2. **Cash Management:** The Title I Director, Superintendent and Treasurer will draft administrative guidelines to implement an internal control system to ensure compliance with requirements.
3. **Level of Effort:** The Title I Director, Superintendent and Treasurer will draft administrative guidelines to implement an internal control system to ensure compliance with requirements.
4. **Request for Reimbursement Reports:** The Title I Director, Superintendent and Treasurer will draft administrative guidelines to implement an internal control system to ensure compliance with requirements.
5. **Final Expenditure Report:** The Title I Director, Superintendent and Treasurer will draft administrative guidelines to implement an internal control system to ensure compliance with requirements.
6. **Student Per Pupil Expenditure Report:** The Title I Director, Superintendent and Treasurer will draft administrative guidelines to implement an internal control system to ensure compliance with requirements.
7. **School Wide Programs:** The Title I Director will add a signature page to the School Improvement Plans which indicates contribution or review of the plan to be signed by the School Improvement Committee, the Superintendent and School Board President.
8. **Comparability:** The Title I Director will prepare the Comparability Report. The report will be reviewed and signed by the Superintendent prior to submission.

The School Corporation is small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of the Corporation Treasurer's office

Anticipated Completion Date: June 30, 2017



(Signature)
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(Title)
May 19, 2017

(Date)

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RENSELAER CENTRAL SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statements presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances:

Fund	Amount Overdrawn	
	June 30, 2014	June 30, 2015
School Bus Replacement	\$ 6,188	\$ -
Child Care Program	3,736	286
Drivers Ed	66	-
Medicaid Reimbursement - Federal	1,014	-
Construction - MS Project	-	232,652
Football Athletic	-	8,158

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 unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

May 22, 2017

State Board of Accounts

302 West Washington St., Room E 418

Indianapolis, IN 46204-2765


Re: Official Response

Overdrawn Cash Balances

This is our official response to the overdrawn cash balances audit result comment as of June 30, 2014 and June 30, 2015. All cash balances were in the positive as of November 30, 2015.

Curtis Craig

Superintendent



Dawn D. Claussen

Treasurer



900 East Washington Street – Rensselaer, Indiana 47978

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RENSELAER CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2017, with Dawn D. Claussen, Treasurer; Curtis Craig, Superintendent of Schools; Charles Parrish, President of the School Board; and Lori Zeider, Food Service Director.