

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

EVANSVILLE-VANDERBURGH  
SCHOOL CORPORATION  
VANDERBURGH COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
08/10/2017



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2015-001 - Preparation of the Schedule of Expenditures of Federal Awards .....	4-6
Finding 2015-002 - Cash Management.....	6-7
Finding 2015-003 - Procurement and Suspension and Debarment.....	7-8
Finding 2015-004 - Allowable Costs/Cost Principles.....	9-10
Corrective Action Plan.....	11-12
Audit Results and Comments:	
Daycare Fees .....	13-14
Prepaid Food Fund .....	14
Exit Conference.....	15

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chief Financial Officer	Carl D. Underwood	01-01-13 to 12-31-17
Superintendent of Schools	David B. Smith	07-01-13 to 06-30-17
President of the School Board	Sally Becker Christopher A. Kiefer Mike Duckworth Sr. Paul Terry Gamblin Andrew C. Guarino	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 01-01-17 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE EVANSVILLE-VANDERBURGH SCHOOL CORPORATION, VANDERBURGH COUNTY, INDIANA

This report is supplemental to our audit report of the Evansville-Vanderburgh 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/](http://www.in.gov/sboa/).

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

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

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

June 5, 2017

EVANSVILLE-VANDERBURGH SCHOOL CORPORATION  
FEDERAL FINDINGS

**FINDING 2015-001 - 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). The federal bookkeeper maintained a spreadsheet of federal awards received, except for the Child Nutrition Cluster, Child and Adult Care Food Program, and Disaster Grants - Public Assistance (Presidentially Declared Disasters). The bookkeeper entered the information from the spreadsheet into the Gateway report. There were no compensating controls to verify the information reported was accurate.

The SEFA contained the following errors:

1. The Department of Agriculture grants with expenditures of \$17,281,588 were omitted.
2. Three additional federal programs with expenditures of \$80,646 were omitted.
3. Two federal program's expenditures were overstated in the amount of \$3,659 and two federal programs expenditures were understated in the amount of \$92,918.
4. One state grant with expenditures of \$53,096 was incorrectly included.
5. One CFDA number was reported incorrectly.
6. Two program names were reported incorrectly.
7. One program was incorrectly reported as a cluster.

Audit adjustments totaling \$17,398,397 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. . . .

EVANSVILLE-VANDEBURGH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . ."

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

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

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

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

*Cause*

Management had not established a system of internal control that would have ensured 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*.

EVANSVILLE-VANDERBURGH 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 2015-002 - 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: FY 2013, FY 2014, FY 2015  
Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement that have a direct and material effect on the programs. The Deputy Treasurer monitored the cash balance to expenditures on a quarterly basis; however, the School Corporation had not designed and implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances (Net Cash Resources) were maintained in compliance with the Cash Management requirements.

The three months average expenditures for the fiscal year ending June 30, 2014, was \$3,607,390, whereas the cash balance (Net Cash Resources) at June 30, 2014, was \$4,248,742. This resulted in a cash balance (Net Cash Resources) excess of \$641,352. The three months average expenditures for the fiscal year ending June 30, 2015, was \$3,592,635, whereas the cash balance (Net Cash Resources) at June 30, 2015, was \$4,191,999. This resulted in a cash balance (Net Cash Resources) excess of \$599,364.

*Context*

This was a systemic issue. Of the 24 months examined, 23 of the months had a cash balance (Net Cash Resources) in excess of the Cash Management requirements.

*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)."

EVANSVILLE-VANDERBURGH 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*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Cash Management requirements.

*Effect*

The failure to establish controls enabled material noncompliance to occur. Noncompliance with 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 School Corporation officials establish controls and implement procedures that would ensure compliance 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 2015-003 - PROCUREMENT AND 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 2013, FY 2014, FY 2015

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not verify that vendors were not suspended or debarred or otherwise excluded from, or ineligible for participation in, federal assistance programs prior to accepting the bid.

EVANSVILLE-VANDERBURGH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Context*

The School Corporation was unaware of the requirements and did not check any vendors for suspension or debarment during 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 that the School Corporation complied with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

The failure to establish controls enabled material noncompliance to occur. Noncompliance with the compliance requirements 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 and implement procedures to 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.

EVANSVILLE-VANDERBURGH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-004 - ALLOWABLE COSTS/COST PRINCIPLES***

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 12-7995, 13-7995, 14-7995,  
A58-3-13IT-1182, A58-4-14C1-1972

Pass-Through Entity: Indiana Department of Education

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement. The School Corporation did not maintain documentation to support employees' salaries and wages charged to the federal program, nor did they maintain Semi-Annual Certifications for employees that worked solely on one cost center.

*Context*

During the audit period, no Semi-Annual Certifications were maintained for employees that worked solely in one cost center.

*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. . . ."

OMB Circular A-87, Attachment B, Section 8(h) states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Allowable Costs/Cost Principles requirements.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

EVANSVILLE-VANDERBURGH SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that management of the School Corporation establish internal controls and implement procedures to ensure compliance with the grant agreement and the Allowable Cost/Cost Principles compliance requirement.

*Views of Responsible Officials*

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

CORRECTIVE ACTION PLAN

FEDERAL FINDING 2015-001

Auditee Contact Person: Courtney Bohleber  
Contact Person Title: Director of Budget  
Contact Phone Number: 812-435-8409  
Anticipated Date of Completion: December 31, 2017

Evansville Vanderburgh School Corporation has implemented a new internal control practice in response to the State Board of Accounts finding referenced above. The Federal Bookkeeper will record all receipts and disbursements that will be reconciled to the Form 9. This information will then be used to prepare the Schedule of Federal Awards. This report will be reconciled by the Director of Budget for accuracy.

FEDERAL FINDING 2015-002

Auditee Contact Person: Courtney Bohleber  
Contact Person Title: Director of Budget  
Contact Phone Number: 812-435-8409  
Anticipated Date of Completion: December 31, 2017

Evansville Vanderburgh School Corporation has implemented a new internal control practice in response to the State Board of Accounts finding referenced above. The Federal Bookkeeper will verify that vendors are not suspended or debarred before accepting a bid.

FINDING 2015-003

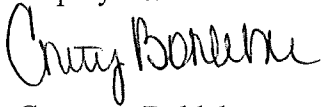
Auditee Contact Person: Courtney Bohleber  
Contact Person Title: Director of Budget  
Contact Phone Number: 812-435-8409  
Anticipated Date of Completion: December 31, 2017

Evansville Vanderburgh School Corporation has implemented a new internal control practice in response to the State Board of Accounts finding referenced above. The Chief Financial Officer will monitor and ensure that the cash balance will not exceed the three month expenditure average for each fiscal year.

FINDING 2015-004

Auditee Contact Person: Courtney Bohleber  
Contact Person Title: Director of Budget  
Contact Phone Number: 812-435-8409  
Anticipated Date of Completion: December 31, 2017

Evansville Vanderburgh School Corporation has implemented a new internal control practice in response to the State Board of Accounts finding referenced above. The Federal Bookkeeper along with the Grant Mangers will verify that semi-annual certifications are being maintained for employees.



Courtney Bohleber  
Director of Budget  
Evansville Vanderburgh School Corporation

EVANSVILLE-VANDERBURGH SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**DAYCARE FEES**

The School Corporation maintains daycare facilities at 20 locations. During the 2013/2014 school year the School Corporation began maintaining accounts receivable records and prenumbered receipts for the daycare facilities (daycares); however, the following deficiencies were noted:

1. The School Corporation ordered the prenumbered receipt books and issued them to the various daycares, but they were not issued in sequential order to the daycares nor were logs kept to indicate which school received which book. Therefore, we could not verify that all receipt books were accounted for.
2. In 40 percent of the daycares tested, they used one receipt book for cash and one for checks instead of issuing the receipts for all forms of payment in chronological order.
3. In 20 percent of the daycares tested, separate receipt books were maintained for the same period, receipts were removed from one book and stapled to the other book to keep the receipts in chronological order.
4. In 60 percent of the daycares tested, receipt duplicates were torn out of the book, and were unavailable for audit.
5. The Accounts Receivable Record used to document the amount due, amount paid, and balance by student receipts were not always posted in the same week they were received, but were instead posted in the week they were due.

A similar comment was made in prior Report B43857.

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.

EVANSVILLE-VANDERBURGH SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS  
(Continued)

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. . . ."

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

The receipt form is to be prenumbered and printed in duplicate, three receipts to the page if bound and five receipts to the page if printed loose-leaf. If printed loose-leaf, the duplicate shall be contained in a post binder as a permanent record. The receipt is to be issued for any and all money received. A separate receipt shall be issued for each amount of money received. The duplicate serves as a register of receipts from which all receipts are posted to the proper activity funds and the control account. (Accounting and Uniform Compliance Guidelines Manual for Extra-Curricular Accounts, Chapter 2)

***PREPAID FOOD FUND***

The fund balance in the Prepaid Food fund (Fund 840) does not agree with the total of the Patron Balance Report generated from the eTriton accounting system. As meals are served, money is transferred from the Prepaid Food fund to the School Lunch fund, even if the student does not have money on deposit in the prepaid food account. Also, when a student's negative account balance is determined to be uncollectible it is written off without a corresponding transfer out of the School Lunch fund and back into the Prepaid Food fund.

A similar comment was included in the prior Report B43857.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Administrator and Uniform Compliance Guidelines, Volume 211)

EVANSVILLE-VANDERBURGH SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2017, with David B. Smith, Superintendent of Schools; Carl D. Underwood, Chief Financial Officer; Courtney Bohleber, Director of Budget; Rick Cameron, Senior Chief of District Operations; Andrew C. Guarino, President of the School Board; Christopher A. Kiefer, School Board member; Mike Duckworth Sr., School Board member; and Paul Terry Gamblin, School Board member.