

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

OREGON-DAVIS SCHOOL CORPORATION

STARKE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED

08/16/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Nicole Salazar	07-01-14 to 06-30-17
Superintendent of Schools	Gregory L. Briles James Dermody Dr. Donald E. Harman	07-01-14 to 12-31-15 01-01-16 to 06-30-16 07-01-16 to 12-31-17
President of the School Board	Christopher Lawrence Kurt Hayes Christopher Lawrence	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE OREGON-DAVIS SCHOOL CORPORATION, STARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Oregon-Davis School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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, incorporated within this report, was not verified for accuracy.

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

June 26, 2017

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001 - FINANCIAL TRANSACTIONS AND REPORTING

Condition

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to receipts. There was no evidence that different people issued the receipts, prepared the deposit slips, made the deposits, and traced the daily receipts to the deposit.

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. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override. . . .

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. . . ."

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.

Views of Responsible Officials

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

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-002 - 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 Teacher Incentive Fund expenditures were overstated by \$392,248 for the school year ended June 30, 2015.
2. The Special Education Cluster (IDEA) expenditures were understated by \$220 for the school year ended June 30, 2015.
3. The Child Nutrition Cluster did not include commodities of \$21,148 for the school year ended June 30, 2015. The Child Nutrition Cluster also did not include the Summer Food Service Program for Children in the amount of \$2,845 and \$2,842 for the school years ended June 30, 2015 and 2016, respectively.

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. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same action. Separating the ability to record, authorize, and approve the transactions along with the handling of the related asset reduces the risk of error or fraudulent actions. It also reduces the risk of management override. . . .

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 §_310. . . ."

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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:

- (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.
. . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

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 2016-003 - INTERNAL CONTROLS OVER TEACHER INCENTIVE FUND

Federal Agency: Department of Education

Federal Program: Teacher Incentive Fund

CFDA Number: 84.374

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014/2015, FY 2015/2016

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability of Federal Funds compliance requirements. The majority of the program expenditures were for payroll. There were no controls in place to ensure that only applicable teachers' payroll was charged to the Teacher Incentive Fund program or that payroll transactions were within the period of availability.

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the *Condition* throughout the audit period.

OREGON-DAVIS 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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 the 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.

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004 - INTERNAL CONTROLS OVER 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 2014/2015, FY 2015/2016

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting compliance requirements.

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The School Corporation had not established an effective internal control system to ensure that payroll disbursements were for allowable activities and allowable costs. There was no review of payroll expenditures prior to payment.

Reporting

The School Corporation had not established an effective internal control system to ensure that the monthly Sponsor Claim (claim for reimbursement) were accurate. There was no review of the monthly Sponsor Claim (claim for reimbursement) prior to submission.

Context

The lack of controls 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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

OREGON-DAVIS 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 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 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 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 2016-005 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER (IDEA)

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): 14213-137-PN01, 14214-137-PN01,
14215-137-PN01, 14216-108-PN01,
99914-137-TA01, 45715-137-PN01,
45716-108-PN01

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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Availability of Federal Funds compliance requirements. The majority of the program expenditures were for payroll. There were no controls in place to ensure that only applicable teacher's payroll were charged to the Special Education_Grants to States and Special Education_Preschool Grants programs, or that payroll transactions were within the period of availability.

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the *Condition* throughout the audit period.

OREGON-DAVIS 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. . . ."

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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 the 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 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.

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

***FINDING 2016-006 - INTERNAL CONTROLS 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): 14-7495, 15-7495, 16-7495
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 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability of Federal Funds compliance requirements. The majority of the program expenditures were for payroll. There were no controls in place to ensure that only applicable teachers' payroll was charged to the Title I Grants to Local Educational Agencies program or that payroll transactions were within the period of availability.

Context

The lack of controls was a systemic problem. There were no documented controls over the compliance requirements noted in the *Condition* 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 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

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

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 the 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.

FINDING 2016-007 - SPECIAL TESTS AND PROVISIONS - ASSESSMENT SECURITY SYSTEM

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): 14-7495, 15-7495, 16-7495

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 Assessment Security System portion of the Special Tests and Provisions compliance requirement.

The School Corporation was required to maintain Indiana Testing Security and Integrity Agreements for any individual who administers, handles, or has access to secure test materials at the district or school level. There were no agreements retained for audit for the 2014-2015 school year.

Context

The lack of controls and noncompliance was a systemic problem which occurred during the first year 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. . . ."

OREGON-DAVIS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Assessment Program Manual, Chapter 10, Section 4, Part D states in part: ". . . Ensure all applicable school and corporation staff review and sign the Indiana Testing Security and Integrity Agreement annually by the end of September as described in the Code of Ethical Practices and Procedures. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment Security System requirements.

Effect

The failure to establish an effective internal control system enabled 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 to ensure compliance with the Special Tests and Provisions - Assessment Security System compliance requirement. We also recommended that the School Corporation comply with the Special Tests and Provisions - Assessment Security System requirements.

Views of Responsible Officials

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

OREGON-DAVIS SCHOOL CORPORATION

Dr. Donald E. Harman, Superintendent

5998 North 750 East

Hamlet, IN 46532

574-867-2111

FAX 574-867-8191

www.odschools.org

CORRECTIVE ACTION PLAN

FINDING 2016-001 - FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Nicole Salazar

Contact Phone Number: 574-867-2111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have implemented a system that requires the preparer and a second party to initial receipts and corresponding reports, deposit slips and bank receipts.

Anticipated Completion Date: July 1, 2017

FINDING 2016-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Nicole Salazar

Contact Phone Number: 574-867-2111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have implemented controls so that there has to be dual signatures on the Schedule of Expenditures of Federal Awards before submission.

Anticipated Completion Date: July 1, 2017

FINDING 2016-003 - INTERNAL CONTROLS OVER TEACHER INCENTIVE FUND

Contact Person Responsible for Corrective Action: Nicole Salazar
Contact Phone Number: 574-867-2111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have implemented controls that require a second party review and initial the payroll distribution report and subsequent reimbursement request for all expenditures for all federal grants.

Anticipated Completion Date: July 1, 2017

FINDING 2016-004 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Contact Person Responsible for Corrective Action: Nicole Salazar
Contact Phone Number: 574-867-2111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have implemented controls that require a second party review and initial the payroll distribution report and subsequent reimbursement request for all expenditures for all federal grants.

Anticipated Completion Date: July 1, 2017

FINDING 2016-005 - INTERNAL CONTROLS OVER SPECIAL EDUCATION CLUSTER (IDEA)

Contact Person Responsible for Corrective Action: Nicole Salazar
Contact Phone Number: 574-867-2111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have implemented controls that require a second party review and initial the payroll distribution report and subsequent reimbursement request for all expenditures for all federal grants.

Anticipated Completion Date: July 1, 2017

FINDING 2016-006 - INTERNAL CONTROLS OVER TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

Contact Person Responsible for Corrective Action: Nicole Salazar
Contact Phone Number: 574-867-2111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have implemented controls that require a second party review and initial the payroll distribution report and subsequent reimbursement request for all expenditures for all federal grants.

Anticipated Completion Date: July 1, 2017

FINDING 2016-007 - SPECIAL TESTS AND PROVISIONS - ASSESSMENT SECURITY SYSTEM

Contact Person Responsible for Corrective Action: Nicole Salazar
Contact Phone Number: 574-867-2111

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have implemented controls that require all Indiana Testing Security and Integrity Agreements for any individual who administers, handles, or has access to secure test materials at the district or school level be kept on file until such time as they are released by Indiana Archives and Records Administration for disposal.

Anticipated Completion Date: July 1, 2017

Nicole Salazar
(Signature)

Treasurer
(Title)

06-26-17
(Date)

OREGON-DAVIS SCHOOL CORPORATION, STARKE COUNTY
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The financial statement presented in the Financial Statement and Single Audit Report for the School Corporation included the Textbook Rental fund with an overdrawn cash balance of \$5,510 at June 30, 2016.

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)

OREGON-DAVIS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2017, with Nicole Salazar, Treasurer, and Annette Ferch, Board member.