

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WARRICK COUNTY SCHOOL CORPORATION

WARRICK COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
09/07/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sarah L. Evans Patricia L. Jones	07-01-14 to 06-30-15 07-01-15 to 06-30-18
Superintendent of Schools	Brad Schneider	07-01-14 to 06-30-18
President of the School Board	Gary Hachmeister Thomas L. Welch	07-01-14 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WARRICK COUNTY SCHOOL
CORPORATION, WARRICK COUNTY, INDIANA

This report is supplemental to our audit report of the Warrick County 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 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.

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. 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

July 18, 2017

WARRICK COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Internal Controls over Cash and Investments
Audit Finding: Material Weakness

Condition

There were deficiencies in the internal control system of the School Corporation related to cash and investments. The bank reconciliations for the School Corporation funds for FY 14/15 were prepared by the School Corporation Treasurer and for FY 15/16 by the Assistant Treasurer. There was no compensating control over the bank reconciliations to ensure they were being prepared accurately and completely for either fiscal year.

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. . . ."

Cause

Management of the School Corporation 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.

WARRICK COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: School Breakfast Program and National School Lunch Program -
Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matter

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-005.

Condition

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

The School Corporation did not verify that the vendor was not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to awarding the bids.

Context

There was no evidence for either school year that the School Corporation verified that the vendor was not suspended and debarred prior to awarding the bids.

Criteria

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."

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. . . ."

WARRICK COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 of the School Corporation had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and 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 and procedures to ensure compliance and 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.



SUPERINTENDENT'S OFFICE

P.O. Box 809/Boonville, Indiana 47601/812-897-6050

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Patricia L. Jones, Treasurer
Contact Phone Number: (812) 897-6040

Views of Responsible Official:

We agree with this finding.

Description of Corrective Action Plan:

The Treasurer's Office has put in place a corrective action plan beginning with the June 2017 Bank Statement reconciliation. The Treasurer and Deputy Treasurer will alternate reconciliation of the monthly bank statement so that one person is not the only control for this process. Once the statement has been reconciled by either party each month, the Asst. Superintendent, Mr. Todd Armstrong, will review the documentation and sign off.

Anticipated Completion Date:

This Corrective Action Plan is currently in place, beginning with the June 2017 bank statement being reconciled by the Treasurer. Mr. Armstrong, Business Manager/Assistant Superintendent then reviewed and signed off on the statement.

Patricia L. Jones
(Signature)

Corporation Treasurer
(Title)

7-17-17
(Date)

FINDING 2016-002

Contact Person Responsible for Corrective Action: Shenae Rowe, Food & Nutrition Director
Contact Phone Number: (812) 897-1341

Views of Responsible Official:

We agree with this finding

Description of Corrective Action Plan:

The Food & Nutrition Department has put in place a corrective action plan beginning July 2017. As of July 2017, a new Procurement Plan approved by the Indiana Department of Education is being followed. Within this procurement plan, the WCSC Food & Nutrition Department will require a certification regarding debarment, suspension, ineligibility, and voluntary exclusion be submitted to the School Food Authority for any purchases over \$25,000.

Anticipated Completion Date:

July 1, 2017

Shenae M Rowe
(Signature)

Food & Nutrition Director
(Title)

7/17/17
(Date)

WARRICK COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2017, with Patricia L. Jones, Treasurer; Thomas L. Welch, President of the School Board; Todd A. Armstrong, Assistant Superintendent of Schools; and Jane Wilhelmus, Federal Programs Curriculum Director.