

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

RIPLEY COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
09/12/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lana M. Miller	07-01-13 to 06-30-19
Superintendent of Schools	Robert D. Moorhead	07-01-13 to 06-30-20
President of the School Board	Tim Taylor	01-01-13 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SOUTH RIPLEY COMMUNITY
SCHOOL CORPORATION, RIPLEY COUNTY, INDIANA

This report is supplemental to our audit report of the South Ripley Community School Corporation (School Corporation), for the period from July 1, 2013 to June 30, 2015. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

July 17, 2017

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There was a deficiency in the internal control system of the School Corporation related to financial transactions and reporting.

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts. The Treasurer was solely responsible for issuing receipts and making deposits.

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.

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 be 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.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

**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). The Treasurer was the person solely responsible for preparing and submitting the SEFA. There was no segregation of duties or other compensating controls documented.

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:

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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 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 could have remained undetected.

Views of Responsible Officials

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-003 - CASH MANAGEMENT AND 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): 14213-052-PN01, 14214-052-PN01,
99914-052-TA01, 14215-052-PN01,
45714-052-PN01

Pass-Through Entity: Indiana Department of Education

Condition

Management of the School Corporation had not established an effective internal control system, as it relates to the following compliance requirements: Cash Management and Reporting.

Cash Management

The School Corporation designated a fiscal agent to receive and manage the Special Education programs. Management of the School Corporation had not implemented controls over the fiscal agent as it relates to the Cash Management compliance requirement. Reimbursement requests were prepared by the fiscal agent's Treasurer. There was no control in place to ensure that expenditures were paid prior to requesting reimbursement.

Reporting

The School Corporation designated a fiscal agent to manage the Special Education programs. Management of the School Corporation has not implemented controls over the fiscal agent as it relates to the Reporting compliance requirement. Grant reports were prepared and submitted by the fiscal agent's Treasurer. There was no control in place to ensure that the reports were accurate prior to submission.

Context

Based on the initial assessment of the Special Education grants, it was determined the lack of controls was a systemic problem over the requirements listed above.

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 to provide oversight over duties performed by the fiscal agent to ensure compliance with the compliance requirements of the grant.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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'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 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

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): FY2014, FY2015, FY2014-FY2015

Pass-Through Entity: Indiana Department of Education

Condition

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

Cash Management

A control process had not been established to ensure that the School Lunch fund's net cash resources were limited to the three months average expenditures.

Eligibility

A control process had not been established to ensure that eligibility determinations for free and reduced priced meals were accurately determined. There was no control in place to ensure that the information entered into the food service software from the free and reduced price meal applications was correct.

Program Income

A control process had not been established to ensure that program income was properly recorded in the financial records until January 1, 2015. After that time, the Treasurer began reconciling on a monthly basis the program income recorded in the financial records to the program income reported in the School Corporation's food service program.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Reporting

A control process had not been established to ensure the Sponsor Claim (claims for reimbursement) and School Food Authority (SFA) Collection Reports were accurate prior to submission.

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

A control process had not been established to ensure the verification of free and reduced priced applications was performed in accordance with program requirements.

Context

Based on the initial assessment of the Child Nutrition Cluster grants it was determined that the lack of controls over the compliance requirements listed above was a systemic problem.

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 internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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'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.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-005 - 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): FY2014, FY2015, FY2014-FY2015
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 requirement: Procurement and Suspension and Debarment.

The Department of Agriculture required the School Corporation to verify that awarded contracts exceeding \$25,000 were not with suspended or debarred entities. The School Corporation failed to provide evidence that a search of the Excluded Party List Systems was conducted, that certification from the entity was collected, or that a clause was added to the contract for all vendors with food service purchases in excess of \$25,000.

Context

The School Corporation did not comply with the suspension and debarment requirements for the applicable transactions for both school years.

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 over the suspension and debarment requirements.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 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, and develop procedures to comply with the requirements.

Views of Responsible Officials

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

FINDING 2015-006 - ELIGIBILITY

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): FY2013, FY2014, FY2015

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 requirement: Eligibility.

A control process had not been established to ensure individual eligibility for students receiving assistance was properly determined.

Context

Based on the initial assessment of the Title I Grants to Local Educational Agencies, it was determined the lack of controls over Eligibility was a systemic problem.

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. . . ."

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not established a proper system of internal controls over the Eligibility requirements.

Effect

The failure to establish internal controls could have 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 related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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



SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

"Home of the Raiders"



Robert D. Moorhead, Superintendent

Lana M. Miller, Business Manager

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CORRECTIVE ACTION PLAN

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official: The SBOA auditor was auditing our FY2011-2013 records in April of 2014. Changes were implemented immediately in April of 2014 for segregation of duties relating to receipting funds. This is a repeat Finding, due to the timing delay of the audits. We were well into the FY2013-2015 time period when the prior audit was taking place.

Description of Corrective Action Plan: Segregation of duties and controls in the Administration Office were reviewed and procedures updated in 2014. The Business Manager/Treasurer prepares the receipts and signs the receipts. The Deputy Treasurer then reviews the printed receipt and documentation from the check, along with the deposit ticket. After review, the second person initials. The Deputy Treasurer reviews and approves monthly bank statements prepared by the Business Manager/Treasurer. Both the Business Manager/Treasurer and Deputy Treasurer share in payroll functions. A third employee helps in the Administration Office for 4 days per month assisting with accounts payable and preparing claims. This person additionally prepares checks for mailing, once the checks are written and signed by the Business Manager/Treasurer.

Anticipated Completion Date: This was completed in May 2014.

FINDING 2015-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official: The Schedule of Expenditures of Federal Awards (SEFA) is an online report prepared in Gateway. The Business Manager/Treasurer prepares and submits the report based on receipts and expenditures from the Budgetary Software. To our knowledge, a second person review is not required in Gateway, nor listed in the instructions. We were unaware that a second person needs to review and approve the SEFA. The SEFA is merely a report that lists only federal receipts and expenditures. We are happy to have a review done by a second person in our office. It is important to note that the Auditor reviews the SEFA in its' entirety during the audit.

"South Ripley educates students today, to become responsible citizens of tomorrow."

Description of Corrective Action Plan: A second person will review the Schedule of Expenditures of Federal Awards (SEFA).

Anticipated Completion Date: With the next SEFA which is due 8-29-2017.

FINDING 2015-003 - CASH MANAGEMENT AND REPORTING

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number:812-689-6282

Views of Responsible Official: This Finding is for the Ripley-Ohio-Dearborn Special Education Cooperative (ROD) and relates to Special Education Grants that they receive on behalf of South Ripley Community School Corporation and its' other participating schools. We are told by our Auditor that all participating schools will receive this same Finding.

Description of Corrective Action Plan: After our last audit, the Superintendents of the participating schools of ROD invited the Indiana State Board of Accounts and the Indiana Department of Education to review the reports of ROD and help determine what was needed for ROD and also its participating schools to become compliant. After much discussion and review, guidance was provided to Marcia Fullenkamp, Treasurer of ROD.

I asked for a response from Marcia Fullenkamp to include in this Corrective Action Plan. This response was provided to me via email on 7/11/2017 by Marcia Fullenkamp, Treasurer of the Ripley Ohio Dearborn Special Education Cooperative. "A form has been created that is presented at the monthly ROD Board meetings in which the superintendent(s) will review and sign. This form will list each fund along with the fund balance, date of availability, cash balance and reporting information. Copies of all grant applications, revisions, reimbursement requests and final reports are received and filed."

Additionally, guidance and understanding was provided to ROD concerning the information ROD needs to provide that gets reported by the participating schools on their individual Schedule of Expenditures of Federal Awards (SEFA).

Anticipated Completion Date: Completed in 2016 per M. Fullenkamp.

FINDING 2015-004 - INTERNAL CONTROLS OVER CHILD NUTRITION CLUSTER

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number:812-689-6282

Views of Responsible Official: We have not had a full review of our Child Nutrition Cluster in several years. We are happy to provide some more oversight and segregations of duties in this area. Although several staff members are involved in the Food Service reporting and management, we couldn't present auditable paperwork for review during the audit to prove multiple staff involvement.

Description of Corrective Action Plan: We immediately made changes during this audit to provide oversight that was auditable. We immediately purchased and provided "Reviewed By" stamps to the two Food Service Managers and the Food Service Clerical staff. They immediately began using these to show they are reviewing paperwork and actually signing off with their approval.

Cafeteria Fund Cash Balance Review-Although all funds are balanced and reviewed daily by the Business Manager/Treasurer, and the Board reviews all balances monthly, the Auditor wanted to see we had a control process in place that showed our specific review of the Food Service cash balance. In particular that it's resources were limited to the average expenditures for three months. The Business Manager/Treasurer immediately added this calculation to her spreadsheet for periodic review that can be audited.

Free and Reduced Eligibility Determinations- A second person will sign off that they have reviewed the applications including the entry of the applications into our computer system.

Program Income- January 1, 2015 we began using Fund 8400-Prepaid Food. We were advised to begin using this fund during our last audit. The prepaid funds had to be moved from 0800 Cafeteria Fund to the 8400 Prepaid Fund. Thus, starting the new calendar year with the new fund was the best way for us to begin the new procedure.

Anticipated Completion Date: August 1, 2017 or as stated above.

FINDING 2015-005 - SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official: This is a federal requirement of which we had no knowledge.

Description of Corrective Action Plan: We immediately began using the SAMS website to verify that vendors have not been suspended or debarred. This is for vendors used for contracts exceeding \$25,000 that involve federal funds.

Anticipated Completion Date: August 1, 2017.

FINDING 2015-006 - ELIGIBILITY

Contact Person Responsible for Corrective Action: Elementary Principal Amy Linkel
Contact Phone Number: 812-689-5383

Views of Responsible Official: Multiple staff members are involved in the Title 1 federal program and eligibility determination. Principal Amy Linkel presented several spreadsheets and paperwork showing how eligibility is properly determined per grant guidelines at South Ripley Elementary School. The underlying issue involved providing something that was auditable to prove segregation of duties and additional oversight by other staff in regard to eligibility.

Description of Corrective Action Plan: An Action Plan is not needed as effective with the 2016-2017 school year, South Ripley Community School Corporation became classified as School Wide for Title 1. This means all students are eligible.

Anticipated Completion Date: Not Applicable

Lana M. Miller
(Signature)

Business Manager/Treasurer
(Title)
July 14 2017
(Date)

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on July 17, 2017, with Robert D. Moorhead, Superintendent of Schools; Lana M. Miller, Treasurer; and Tim Taylor, President of the School Board.