

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
CLINTON COUNTY, INDIANA  
July 1, 2013 to June 30, 2015



**FILED**  
09/23/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cheryl Roberson Mandi Pennington	07-01-13 to 06-30-14 07-01-14 to 06-30-18
Superintendent of Schools	Dr. James Hanna	07-01-13 to 06-30-18
President of the School Board	Phillip Burkle Joe Hufford	07-01-13 to 12-31-14 01-01-15 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE ROSSVILLE CONSOLIDATED  
SCHOOL DISTRICT, CLINTON COUNTY, INDIANA

This report is supplemental to our audit report of the Rossville Consolidated School District (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 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

August 30, 2017

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS

***FINDING 2015-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a partial repeat finding from the immediate prior audit. The prior audit finding number was 2013-001.

*Condition*

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

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to payroll disbursements. The recording and posting of payroll was done almost entirely by one employee.
2. **Recording and Processing:** The School Corporation had no controls in place to ensure receipts were written and recorded timely.
3. **Evaluation of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting required the School Corporation to evaluate and assess the quality of the system of internal control.

*Context*

The lack of adequate internal controls was a systemic issue, which occurred throughout the audit period.

*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. . . ."

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

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

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

Management remediates identified issues. . . ."

*Cause*

Management of the School Corporation had not established a proper system of internal control related to payroll disbursements and receipts and had not established a system to evaluate and improve controls.

*Effect*

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties related to payroll disbursements; establish controls to ensure receipts are written and recorded timely; and to establish a system to ensure that controls are evaluated periodically.

*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**

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Findings: Material Weakness; Other Matters

*Repeat Finding*

This is not a repeat finding from the immediate prior audit.

*Condition*

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units, which is a financial reporting system and the source of information used to compile the Schedule of Expenditures of Federal Awards (SEFA).

Due to the lack of effective controls, the SEFA contained the following material errors:

1. The National School Lunch Program expenditures were understated by \$152,166 and \$38,905 for the years ended June 30, 2014 and 2015, respectively.

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

2. The Special Education Grants to States expenditures were understated by \$32,984 for the year ended June 30, 2014.

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

*Context*

The lack of controls and errors on the SEFA were systemic issues. The SEFA contained errors in both years of the audit period.

*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. . . ."

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. . . ."

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

*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*.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure proper reporting of the SEFA.

*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**

Subject: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program; National School Lunch Program

CFDA Numbers: 10.553; 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014; FY 2015

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management; Eligibility; Program Income

Audit Finding: Material Weakness

*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, and Program Income.

*Cash Management*

The School Corporation had not designed or implemented adequate control procedures to ensure that the School Lunch fund's cash balance (Net Cash Resources) did not exceed the three months average expenditures in accordance with the Cash Management compliance requirement. An oversight, review process, or other compensating control had not been established.

*Eligibility*

There were no controls in place to ensure that the eligibility determinations for free and reduced price meals were accurate.

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

*Program Income*

There were no controls in place to verify that program income collected and recorded by the Food Service Director was subsequently recorded by the Treasurer.

*Context*

The lack of controls was a systemic problem throughout the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

*Cause*

The School Corporation had not developed a system of internal controls to ensure compliance with the Cash Management, Eligibility, and Program Income compliance requirements.

*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 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 Cash Management, Eligibility, and Program Income compliance requirements.

*Views of Responsible Officials*

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

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-004***

Subject: Child Nutrition Cluster - Reporting  
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 Number): FY 2014; FY 2015  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness; Other Matters

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Monthly Sponsor Claim (claims for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were accurately completed prior to submission.

The School Corporation did not comply with the Reporting compliance requirement as it relates to the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Reports. Information reported for the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Reports could not be verified to the School Corporation's records.

*Context*

The lack of controls and the noncompliance were systemic issues. The lack of properly designed or implemented controls allowed noncompliance with the Reporting compliance requirement for the Annual Financial Reports and the School Food Authority (SFA) Verification Collection Reports for both years of the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 3016.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant. . . ."

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

IDOE General Guidelines for the Annual Financial Report states in part:

". . . Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used. . . ."

*Cause*

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Reporting compliance requirement.

*Effect*

The failure to establish effective internal controls enabled material 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 to ensure compliance and comply with the Reporting compliance requirement.

*Views of Responsible Officials*

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

**FINDING 2015-005**

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP)

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program; National School Lunch Program

CFDA Numbers: 10.553; 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014; FY 2015

Pass-Through Entity: Indiana Department of Education

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

Audit Findings: Material Weakness; Other Matters

*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 Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure that the required changes were made to the status of the applicants after income verification.

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not fully comply with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. The School Corporation reviewed the required number of applications, but did not make the required changes after income verification. Three out of six applications tested that required a status change were not changed.

*Context*

The lack of controls and the noncompliance were systemic issues. The lack of properly designed or implemented controls allowed noncompliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement for both years of the audit period.

*Criteria*

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

7 CFR 245.6a(f) states in part:

"(f) *Verification procedures and assistance for households* - . . .

- (7) *Eligibility changes*. Based on the verification activities, the local educational agency shall make appropriate modifications to the eligibility determinations made initially. The local educational agency must notify the household of any change. Households must be notified of any reduction in benefits in accordance with paragraph (j) of this section. Households with reduced benefits or that are longer eligible for free or reduced price meals must be notified of their right to reapply at any time with documentation of income or participation in one of the eligible programs in paragraph (a)(1) of this section."

*Cause*

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Effect*

The failure to establish effective internal controls enabled material 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.

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

*Views of Responsible Officials*

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



# ROSSVILLE CONSOLIDATED SCHOOL DISTRICT

James W. Hanna, Ph.D., *Superintendent*

One Robert Egly Drive • P.O. Box 11 • Rossville, Indiana 46065

Telephone: 765-379-2990 • Fax: 765-379-3014 • [jhanna@rcsd.k12.in.us](mailto:jhanna@rcsd.k12.in.us)

## CORRECTIVE ACTION PLAN

### Section II – Financial Statement Findings

#### ***FINDING 2015-001***

Contact Person Responsible for Corrective Action: Mandi Pennington  
Contact Phone Number: 765-379-2990

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The administration office has reviewed, formulated procedures, and has assigned duties so there is as much segregation of the incompatible duties as is practical. The school corporation is a small unit and management, along with the School Board of Trustees, acknowledges and assumes the risk inherent with the current design of the administration office.

Anticipated Completion Date: Immediate

#### ***FINDING 2015-002***

Contact Person Responsible for Corrective Action: Mandi Pennington  
Contact Phone Number: 765-379-2990

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The administration office has reviewed, formulated procedures, and has assigned duties so there is as much segregation of the incompatible duties as is practical. The school corporation is a small unit and management, along with the School Board of Trustees, acknowledges and assumes the risk inherent with the current design of the administration office.

Anticipated Completion Date: Immediate

### Section III – Federal Award Findings and Questioned Costs

#### ***FINDING 2015-003***

Contact Person Responsible for Corrective Action: Mandi Pennington  
Contact Phone Number: 765-379-2990

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation's management will review and formulate procedures to ensure compliance with regard to Cash Management, Eligibility, and Program Income control related to the grant agreement and compliance requirement.

Anticipated Completion Date: Immediate

**FINDING 2015-004**

Contact Person Responsible for Corrective Action: Mandi Pennington  
Contact Phone Number: 765-379-2990

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation's management will review and formulate procedures to ensure accuracy with regard to the Annual Financial Reports and Verification Summary relating to the reporting compliance requirement under the grant agreement.

Anticipated Completion Date: Immediate

**FINDING 2015-005**

Contact Person Responsible for Corrective Action: Mandi Pennington  
Contact Phone Number: 765-379-2990

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation's management will review and formulate procedures to ensure accuracy with regard to the Special Tests and Provisions – Verification of Free and Reduced Price Applications (NSLP) compliance requirement under the grant agreement.

Anticipated Completion Date: Immediate

  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Treasurer  
(Title)

\_\_\_\_\_  
08/30/2017  
(Date)

  
\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Superintendent  
(Title)

\_\_\_\_\_  
08/30/2017  
(Date)

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
AUDIT RESULT AND COMMENT

***OVERDRAWN CASH BALANCE***

The financial statement in the Financial Statement and Federal Single Audit Report included the Payroll Clearing fund with an overdrawn cash balance of \$9,338 as of June 30, 2015.

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)

ROSSVILLE CONSOLIDATED SCHOOL DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2017, with Dr. James Hanna, Superintendent of Schools; Mandi Pennington, Treasurer; and Joe Mink, School Board member.