

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

SPRINGS VALLEY COMMUNITY  
SCHOOL CORPORATION  
ORANGE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



**FILED**  
09/26/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathy Allstott	07-01-13 to 06-30-18
Superintendent of Schools	Dr. Jerrill Vandeventer Anthony Whitaker	07-01-13 to 12-31-13 01-01-14 to 12-31-18
President of the School Board	Ralph Purkhiser Cheryl Lynch Todd Marshall	07-01-13 to 12-31-13 01-01-14 to 12-31-16 01-01-17 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDIANAPOLIS, INDIANA 46204-2769

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TO: THE OFFICIALS OF THE SPRINGS VALLEY COMMUNITY  
SCHOOL CORPORATION, ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Springs Valley 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 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

September 12, 2017

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2015-001***

Subject: Internal Controls over Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were deficiencies 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 the reporting of food service program receipts.

*Context*

The Extracurricular Treasurer wrote receipts for the food service program collections, made the deposits, and posted the receipts to the ledger. No controls could be identified over the receipts collected by the Extracurricular Treasurer for the food service program during 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. . . ."

*Cause*

Management of the School Corporation had not established a system of internal control that would have ensured proper reporting of receipts for the food service program.

*Effect*

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

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to sufficiently separate incompatible activities related to the collection and recording of receipts for the food service program.

*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: Special Education\_Grants to States and Special Education\_Preschool  
Grants - 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): 14213-056-PN01, 14214-056-PN01,  
14215-056-PN01, 99914-056-TA01,  
45713-056-PN01, 45714-056-PN01,  
45715-056-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation was a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and managed the Special Education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Cash Management and Reporting compliance requirements.

The supporting documentation attached to the reimbursement forms was a detail subtotal by fund by object code report, which was a summary listing of expenses grouped by fund and object code with no detail of the actual expenses incurred. The supporting documentation did not consistently agree with the amounts requested for reimbursement or the total expenses to date that were reported. The School Corporation claimed and received reimbursements for expenditures that were not incurred and/or paid prior to the date of claiming the reimbursement.

*Context*

The amount requested for reimbursement and the reported amount of total expenses to date could not be verified to supporting documentation for 7 of the 12 reimbursement forms tested. The total amount claimed for reimbursement for each grant agreed to the grant award amounts.

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

34 CFR 80.20(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.
  
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . ."

34 CFR 80.21(d) states in part: ". . . Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. . . ."

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

*Effect*

The failure to establish an effective internal control system caused the School Corporation to be in noncompliance with the grant agreement and the compliance requirements. A lack of an internal control system could have also 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 develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2015-003**

Subject: Special Education\_Grants to States and Special Education\_Preschool  
Grants - Suspension and Debarment

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): 14213-056-PN01, 14214-056-PN01,  
14215-056-PN01, 99914-056-TA01,  
45713-056-PN01, 45714-056-PN01,  
45715-056-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation was a member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program on behalf of the School Corporation and manages the Special Education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation is ultimately responsible for ensuring compliance with the requirements.

An effective internal control system was not in place to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement.

The Cooperative's Director signed the Application and Assurance Plan as a condition of federal assistance, which stated that the Cooperative would check the subcontractors to ensure that they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal agency or by any department, agency, or political subdivision of the State of Indiana. However, the School Corporation did not have procedures in place to monitor that the Cooperative verified that vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a contract with them.

*Context*

There were two contracts during 2013-2014 school year and three contracts during 2014-2015 school year that exceeded \$25,000; however, the Cooperative did not verify that the vendors were not suspended or debarred prior to awarding these contracts.

*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:

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (a) Checking the 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. . . ."

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the Suspension and Debarment compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the Suspension and Debarment compliance requirement and the grant agreement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Suspension and Debarment compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2015-004**

Subject: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles  
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): 13-6160, 14-6160, 15-6160  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Allowable Costs/Cost Principles  
Audit Findings: Material Weakness, Other Matters

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not present for audit the Semi-Annual Certifications for the School Corporation employees that were paid solely from Title I funds.

*Context*

No evidence was presented that Semi-Annual Certifications were completed and certified for 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. . . ."

OMB Circular A-87, Attachment B, section 8h(3) states:

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

*Cause*

The School Corporation did not have a system in place to ensure compliance with the Allowable Costs/Cost Principles compliance requirement.

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected, which 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 develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**FINDING 2015-005**

Subject: Title I Grants to Local Educational Agencies - Reporting and Special Tests  
and Provisions - Highly Qualified Teachers and Paraprofessionals

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): 13-6160, 14-6160, 15-6160

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Special Tests and Provisions - Highly  
Qualified Teachers and Paraprofessionals

Audit Finding: Material Weakness

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

*Context*

*Reporting*

The Treasurer was responsible for the preparation and submission of the Annual Expenditure Reports. No evidence was presented for audit that the Annual Expenditure Reports were reviewed to ensure the accuracy and completeness of the reports by someone other than the preparer.

This was a systemic problem during the audit period for the Title I program. Controls did not exist over the Reporting compliance requirement pertaining to all Annual Expenditure Reports submitted.

*Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals*

The School Corporation had not designed or implemented adequate policies and procedures that would have ensured that paraprofessionals involved with the Title I program were highly qualified. Controls did not exist that would have ensured that someone was verifying that paraprofessionals had met the Highly Qualified requirements.

This was a systemic problem during the audit period for the Title I program.

*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. . . ."

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured that the School Corporation complied with the grant agreement and the Reporting and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals 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 Reporting and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Reporting and Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirements.

*Views of Responsible Officials*

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

# SPRINGS VALLEY COMMUNITY SCHOOLS

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OFFICE OF THE SUPERINTENDENT

---

498 SOUTH LARRY BIRD BLVD. • FRENCH LICK, INDIANA 47432-1060  
PHONE (812) 936-4474 • FAX (812) 936-9392

## CORRECTIVE ACTION PLAN

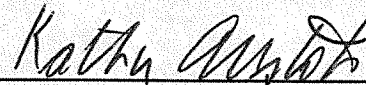
### **FINDING 2015-001**

Contact Person Responsible for Corrective Action: Kathy Allstott  
Contact Phone Number: 812-936-4474

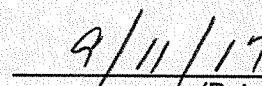
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The high school extra-curricular treasurer now has internal control procedures in place for another employee to review the receipts of money, deposits of same, and ledger posting of revenue transactions.

Anticipated Completion Date: 08/31/2017

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

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

  
\_\_\_\_\_  
(Date)

# SPRINGS VALLEY COMMUNITY SCHOOLS

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OFFICE OF THE SUPERINTENDENT

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498 SOUTH LARRY BIRD BLVD. • FRENCH LICK, INDIANA 47432-1060  
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## CORRECTIVE ACTION PLAN

### **FINDING 2015-002**

Contact Person Responsible for Corrective Action: Kathy Allstott  
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Corporation staff will review the expenditure reports and reimbursement forms submitted by the special education cooperative staff to ensure that dollars are not requested prior to payment of expenses. The cooperative treasurer is now running detailed reports that are attached to the Federal Grant reimbursement requests, for auditing purposes.

Anticipated Completion Date: September 2017

Kathy Allstott  
(Signature)

Treasurer  
(Title)

9/11/17  
(Date)

# SPRINGS VALLEY COMMUNITY SCHOOLS

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## CORRECTIVE ACTION PLAN

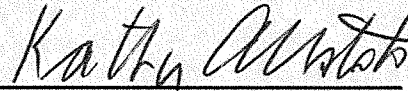
### **FINDING 2015-003**

Contact Person Responsible for Corrective Action: Kathy Allstott  
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Corporation staff will begin verifying that subcontractors utilized through the special education cooperative were not suspended, debarred, or otherwise excluded from or ineligible to participate in federal assistance programs prior to entering into contract with said subcontractors. Cooperative personnel will begin using the System of Awards Manager Center ([www.sam.gov](http://www.sam.gov)) to make sure the vendor has not been suspended or debarred prior to entering into any contract exceeding \$25,000.


Anticipated Completion Date: October 2017



(Signature)



(Title)



(Date)

# SPRINGS VALLEY COMMUNITY SCHOOLS

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## OFFICE OF THE SUPERINTENDENT

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### CORRECTIVE ACTION PLAN

#### **FINDING 2015-004**

Contact Person Responsible for Corrective Action: Kathy Allstott  
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Semiannual certification will now be done for staff members who are paid 100% by federal funds, including Title I.

Anticipated Completion Date: December, 2017

Kathy Allstott  
(Signature)

Treasurer  
(Title)

9/11/17  
(Date)

# SPRINGS VALLEY COMMUNITY SCHOOLS

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## OFFICE OF THE SUPERINTENDENT

---

498 SOUTH LARRY BIRD BLVD. • FRENCH LICK, INDIANA 47432-1060  
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### CORRECTIVE ACTION PLAN

#### **FINDING 2015-005**

Contact Person Responsible for Corrective Action: Kathy Allstott  
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plans: The school corporation treasurer will have the superintendent and/or Title I director to review the Annual Expenditure Report to ensure accuracy and completeness prior to submission. Administration will ensure that teachers and paraprofessionals are highly qualified, with documentation maintained in personnel files.

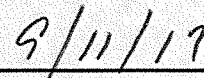
Anticipated Completion Date: October, 2017



(Signature)



(Title)



(Date)

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

***PREPAID MEAL ACCOUNTS***

Prepaid Lunch Receipts were not recorded into a Prepaid Lunch fund, but were instead accounted for within the School Lunch fund. Additionally, the School Lunch fund was not maintained in a way that would allow determination of which receipts were related to prepaid amounts. The School Lunch fund activity is accounted for in the individual School Building Extra-Curricular Accounts.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

SPRINGS VALLEY COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on September 12, 2017, with Kathy Allstott, Treasurer; Anthony Whitaker, Superintendent of Schools; Todd Marshall, President of the School Board; Jennifer Shipman, Vice President of the School Board; Justin Wininger; School Board member; and Dustin Farris, School Board member.