

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CARROLL CONSOLIDATED SCHOOL CORPORATION

CARROLL 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	Leslie Allen Miller Lisa Beaver	07-01-13 to 03-20-15 03-21-15 to 12-31-17
Superintendent of Schools	Dr. Christopher J. Lagoni John A. Sander Keith E. Thackery	07-01-13 to 05-31-16 06-01-16 to 12-31-16 01-01-17 to 12-31-17
President of the School Board	David W. Lambert	01-01-13 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE CARROLL CONSOLIDATED SCHOOL CORPORATION, CARROLL COUNTY, INDIANA

This report is supplemental to our audit report of the Carroll Consolidated 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

August 14, 2017

CARROLL CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

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

*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 and submitted the SEFA without oversight, review, or other controls to ensure its accuracy.

*Context*

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was omitted, which understated the federal expenditures by \$256,986 and \$300,029 for the years ended June 30, 2014 and 2015, respectively.
2. The Special Education Cluster (IDEA) was omitted, which understated the federal expenditures by \$218,415 and \$241,207 for the years ended June 30, 2014 and 2015, respectively.
3. The English Language Acquisition State Grants was omitted, which understated the federal expenditures by \$66 for the year ended June 30, 2015.

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. . . .

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; . . .

- Accurate and timely recording of transactions. . . ."

CARROLL CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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."

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. . . ."

*Cause*

The School Corporation 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 *Context*.

*Recommendation*

We recommended that the School Corporation's management establish controls, including segregation of duties, which would have ensured accurate 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.

CARROLL CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2015-002***

Subject: Child Nutrition Cluster - 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): FY 13/14, FY 14/15  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Modified Opinion

*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 Procurement and Suspension and Debarment compliance requirement.

*Procurement*

The School Corporation did not have an internal control system in place to ensure that School Board approval was obtained in order to accept the bids provided by the cooperative purchasing agency. As a result, the School Corporation did not obtain School Board approval when accepting bids recommended by the cooperative purchasing agency.

*Suspension and Debarment*

The School Corporation did not have an internal control system in place to ensure that vendors were not suspended, debarred, or otherwise excluded from participation in federal assistance programs. As a result, the School Corporation did not perform a verification, obtain certifications, or add a clause to contracts to ensure that vendors were not suspended or debarred.

*Context*

These were systemic issues, occurring throughout the audit period. There were no procedures in place to ensure compliance with any transactions subject to the Procurement and Suspension and Debarment compliance requirement.

*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 3016.36(b)(1) states: "Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section."

Carroll Consolidated School Corporation's purchasing policy states in part: ". . . The Board shall be informed of the terms and conditions of all competitive bids and shall award contracts as a consequence of such bids. . . ."

CARROLL CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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*

The School Corporation had not established an effective system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirements.

*Effect*

The failure to establish an effective internal control system 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 Procurement and Suspension and Debarment compliance requirement.

***FINDING 2015-003***

Subject: School Breakfast Program - Cash Management and Reporting,  
National School Lunch Program - Cash Management, Reporting,  
and Special Tests and Provisions - Verification of Free and Reduced  
Price Applications (NSLP)

Federal Agency: Department of Education

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 13/14, FY 14/15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting, Special Tests and Provisions -  
Verification of Free and Reduced Price Applications (NSLP)

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 Cash Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

CARROLL CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cash Management*

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balances (Net Cash Resources) did not exceed the average expenditures for three months. No controls had been established.

*Reporting*

The School Corporation had not designed or implemented adequate policies or procedures to ensure accurate reporting of the School Food Authority (SFA) Verification Collection Reports and the Annual Financial Report. No controls had been established.

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

There were no controls in place to ensure that the verifications of free and reduced priced applications were accurate. The verifications were completed by the Food Service Director without an oversight, review, approval process, or other compensating control in place to ensure accuracy.

*Context*

These were systemic issues, occurring 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 established an effective system of internal controls that would have ensured compliance with the Cash Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 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.

CARROLL CONSOLIDATED SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with 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.

## *Carroll Consolidated School Corporation*

Office of the Superintendent of Schools  
2 SOUTH THIRD STREET FLORA, INDIANA 46929  
PHONE 574 967-4113 FAX 574 967-3831

### CORRECTIVE ACTION PLAN

August 14, 2017

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

Contact Person Responsible for Corrective Action: Lisa Beaver  
Contact Phone Number: 574-967-4113 ext. 1008

Views of Responsible Official: The Treasurer was not aware that the Child Nutrition Cluster and the Special Education Cluster was not reported for the years June 30, 2014 and 2015 and the English Language Acquisition State Grant was not reported for the year June 30, 2015. It was assumed that the previous Superintendent had entered this information.

Description of Corrective Action Plan: The Treasurer shall verify the above information and the Superintendent shall approve the schedule of expenditures prior to reporting. Documentation of approval shall be maintained by the Treasurer.

Anticipated Completion Date: Effective immediately

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

Treasurer

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

August 14, 2017

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

## *Carroll Consolidated School Corporation*

Office of the Superintendent of Schools  
2 SOUTH THIRD STREET FLORA, INDIANA 46929  
PHONE 574 967-4113 FAX 574 967-3831

### CORRECTIVE ACTION PLAN

August 10, 2017

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

Contact Person Responsible for Corrective Action: Karla Taylor  
Contact Phone Number: 574-967-4113 ext. 1004

Views of Responsible Official: The Food Service Director was under the assumption that once the School Corporation entered into an agreement with the cooperative purchasing agency, that approval by the School Board was no longer necessary to accept bids for bakery and dairy. She was also unaware that since the School Corporation entered into such agreement, that she was still required to verify that the vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

Description of Corrective Action Plan: Prior to obtaining approval from the Superintendent and School Board to accept bids provided by the cooperative purchasing agency for bakery and dairy items, the Food Service Director will verify that vendors were not suspended or debarred by viewing the website that provides this information and provide a "screen shot" to the Superintendent for verification in which he will sign and keep in a file upon completion. Once verified, approval by the School Board will be obtained to accept bids.

Anticipated Completion Date: Prior to the beginning of each school year

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

Contact Person Responsible for Corrective Action: Karla Taylor  
Contact Phone Number: 574-967-4113 ext. 1004

Views of Responsible Official: The Food Service Director presents to the School Board each month a Lunch Fund Report for their approval which includes State reimbursement, receipts from both schools, special affairs revenue, total expenditures including payroll, beginning and ending cash balances and student meals served. She thought this was sufficient for the oversight and review process. The Food Service Director was not aware of the review process for the verification of free and reduced applications.

Description of Corrective Action Plan:

Cash Management – The Food Service Director and Superintendent will closely monitor and document the Lunch Fund cash balance on a monthly basis to insure the cash balance does not exceed the average expenditures for three months.

Reporting – The Food Service Director will have the Superintendent verify and approve claim reports for the Lunch Program reimbursements. A file that is currently maintained of verifications will include approvals. The Treasurer will verify breakfast and lunch ACH payments with the Food Service Director and enter the information into Gateway.

Special Tests and Provisions – Verification of Free and Reduced Price Applications – Once applications have been verified by the Food Service Director, she will have the Superintendent verify and sign the applications prior to the verification reporting process. A file will be maintained of verifications.

Anticipated Completion Date: Effectively immediately.

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

Treasurer

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

August 10, 2017

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

CARROLL CONSOLIDATED SCHOOL CORPORATION  
AUDIT RESULT AND COMMENT

***PREPAID LUNCH FUND***

The School Corporation had not established a Prepaid Lunch fund. Prepaid Lunch receipts were accounted for within the School Lunch fund. The prepaid account is necessary in order to maintain a control of the prepaid student lunch account balances. Subsidiary records of student lunch account balances should be reconciled to the control account monthly.

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)

CARROLL CONSOLIDATED SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2017, with Keith E. Thackery, Superintendent of Schools; Lisa Beaver, Treasurer; and David W. Lambert, President of the School Board.