

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

WESTERN BOONE COUNTY COMMUNITY
SCHOOL CORPORATION
BOONE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
11/17/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vivian Norman	01-01-13 to 12-31-17
Superintendent of Schools	Dr. Judi Hendrix Robert W. Ramey	07-01-13 to 05-31-16 06-01-16 to 12-31-17
President of the School Board	Debbie Smith Shane Steimel	01-01-13 to 12-31-13 01-01-14 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE WESTERN BOONE COUNTY COMMUNITY
SCHOOL CORPORATION, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the Western Boone County 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/.

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 and Official Response to the Audit Result and Comment, incorporated within this report, was not verified for accuracy.

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

October 5, 2017

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

Subject: Child Nutrition Cluster - Cash Management
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): FY2013, FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

The School Corporation had not established adequate policies and procedures to ensure compliance with the Cash Management compliance requirement. There were no controls in place to ensure that the cash balance (Net Cash Resources) for the School Lunch fund did not exceed the three months average expenditures as required by federal guidelines. The School Corporation's cash balance (Net Cash Resources) exceeded the three months average expenditures every month during the audit period.

Context

The lack of controls and noncompliance were systemic issues during 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 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . ."

- (iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed an effective internal control system that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish internal controls over this requirement allowed noncompliance to occur. The failure to comply 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 internal controls to ensure compliance with the Cash Management requirements of these programs.

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: Child Nutrition Cluster - Program Income
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): FY2013, FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Scope Limitation/Qualified Opinion

Repeat Finding

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

Condition

The School Corporation had not established adequate policies and procedures to ensure compliance with Program Income requirements. Due to the method of recordkeeping, compliance with the Program Income requirements could not be tested.

All receipts from sales, as well as prepayments, were recorded directly into the School Lunch fund; prepayments were not recorded in a separate prepaid food fund; therefore, it could not determine if the School Corporation was properly assessing, collecting, and recording program income generated from the school food service program.

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance were systemic issues during the audit period. It could not be determined whether the School Corporation was properly assessing, collecting, and recording program income generated 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. . . ."

7 CFR 210.14(c) states:

"Financial assurances. The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

Cause

Management had not developed an effective system of internal controls that would have ensured that all prepaid receipts and program income receipts were properly identified and accounted for.

Effect

The failure to establish an effective internal control system and properly maintain accounting records prevented the testing of the School Corporation's compliance with the grant agreement and the Program Income compliance requirement.

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 requirements related to Program Income to ensure compliance with all requirements.

Views of Responsible Officials

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

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-003

Subject: Child Nutrition Cluster - Equipment and Real Property Management
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): FY2013, FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding, Finding 2013-004, from the immediate prior audit period.

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 Equipment and Real Property Management compliance requirement.

The School Corporation did not maintain equipment or property records for equipment purchased with monies from the school food service program.

Context

The lack of controls and noncompliance were systemic problems during the period audited.

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 3016.32 states in part:

". . . (b) . . . Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . ."

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system allowed 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 to ensure compliance with the Equipment and Real Property Management 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: Child Nutrition Cluster - 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): FY2013, FY2014, FY2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

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 Suspension and Debarment compliance requirement. There were no controls in place to ensure that the School Corporation verified that the vendors were not suspended or debarred.

The School Corporation entered into a contract with a vendor to procure supplies and equipment for the school food service program. The School Corporation did not verify that the vendor was not suspended or debarred or otherwise excluded or disqualified from participation in federal assistance programs prior to accepting the bid.

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic problem for the audit period. There was no evidence that the School Corporation verified that the vendor used to purchase supplies and equipment was not suspended or debarred.

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 or plan to ensure compliance with the Suspension and Debarment compliance requirement.

Effect

Failure to establish internal controls allowed 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 to ensure compliance with the Suspension and Debarment requirements of the programs.

Views of Responsible Officials

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

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Vivian Norman, Corporation Treasurer
Jane Taylor, Director of School Lunch
Contact Phone Number: 765-482-6333

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

In 2016, the Director of School Lunch had established a working plan which was established with the State School Nutrition Division in order to reduce the cash balance which has grown to exceed the three month average. After the plan is complete and the cash balance is inline, the Director of School Lunch and the Corporation Treasurer will monitor the cash balance in order that we stay in compliance.

Anticipated Completion Date: June, 2019

FINDING 2016-002

Contact Person Responsible for Corrective Action: Vivian Norman, Corporation Treasurer
Jane Taylor, Director of School Lunch
Contact Phone Number: 765-482-6333

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

A corrective plan was established in September, 2017 in order to establish a separate fund which holds all prepaid receipts. At the end of each month, the Director of School Lunch and the Corporation Treasurer reconcile the School Lunch Fund (800) and the PrePaid Fund (8400) in order to stay in compliance.

Anticipated Completion Date: September 1, 2017

FINDING 2016-003

Contact Person Responsible for Corrective Action: Vivian Norman, Corporation Treasurer
Jane Taylor, Director of School Lunch
Contact Phone Number: 765-482-6333

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Corporation will continue to have a company come in to perform an inventory audit every two years and the equipment purchased made from the Child Nutrition Cluster to be denoted as purchases from federal funds. The Director of School Lunch will provide to the Corporation Treasurer a listing of any major purchases every six months so that we can verify that all required purchases have been added to the asset report as federal purchases.

Anticipated Completion Date: October 1, 2017

FINDING 2016-004

Contact Person Responsible for Corrective Action: Vivian Norman, Corporation Treasurer
Jane Taylor, Director of School Lunch

Contact Phone Number: 765-482-6333

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The Director of School Lunch and the Corporation Treasurer will work together to insure that the School Corporation verifies that company has not been suspended or debarred prior to going into any contract.

Anticipated Completion Date: October 1, 2017

:

Vivian Norman
(Signature)

Corporation Treasurer
(Title)

10-3-2017
(Date)

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

PREPAID SCHOOL LUNCH ACCOUNTS

The entire amount of student prepaid food advance deposits were recognized in the School Lunch fund, Fund 800. The School Corporation had not established Fund 8400 - Prepaid Food to account for advance deposits made to individual student prepaid food accounts. Fund 8400 - Prepaid Food is a trust account where monies are initially deposited on behalf of individual students. Monies are intended to remain in the trust account until they are spent on food purchases. Monies are to be transferred from Fund 8400 - Prepaid Food to Fund 800 - School Lunch to account for actual monies spent by students on food purchases.

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 receipts 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 that balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Administrator and Uniform Compliance Guidelines, September 2015)

OFFICIAL RESPONSE

October 5, 2017

Western Boone County Community School Corporation would like to respond to the comment denoted in the audit report of July 1, 2013 to June, 30, 2015.

Prepaid School Lunch Accounts:

Western Boone County Community School Corporation was unaware of the requirement for establishing a clearing account for the prepaid school lunch accounts during this audit time period. Western Boone County Community School Corporation has made this correction. This was completed by establishing established a separate clearing account for the prepaid school lunch account. Furthermore, we have included an internal control procedure.



Rob Ramey
Superintendent



Vivian Norman
Business Manager/Treasurer

WESTERN BOONE COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 5, 2017, with Vivian Norman, Treasurer; Shane Steimel, President of the School Board; Robert W. Ramey, Superintendent of Schools; and Jane Taylor, Food Service Director.