

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

BATESVILLE COMMUNITY SCHOOL CORPORATION

RIPLEY COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
12/19/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Todd W. Nobbe	07-01-13 to 06-30-18
Superintendent of Schools	Dr. James S. Roberts Paul Ketcham	07-01-13 to 12-31-16 01-01-17 to 06-30-18
President of the School Board	Chris R. Lowery Jeremy Raver	07-01-13 to 08-18-14 08-19-14 to 12-31-17



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

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

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

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

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

November 2, 2017

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

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

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding numbers were 2013-001 and 2013-002.

Condition

There were deficiencies, including a lack of segregation of duties, 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 receipts, disbursements, and the preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Context

1. Receipts: The Treasurer was primarily responsible for issuing receipts, posting receipts, and making bank deposits. There was no segregation of duties documented, such as an oversight, review or approval process, or other compensating control.
2. Disbursements: The Treasurer was primarily responsible for approving claims and writing, posting, and signing checks. There was no segregation of duties documented, such as an oversight, review or approval process, or other compensating control.
3. Preparation of the Schedule of Expenditures of Federal Awards (SEFA): The Treasurer was solely responsible for preparing and submitting the SEFA. There was no segregation of duties documented, such as an oversight, review or approval process, or other compensating control.

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. . . ."

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls that segregated key functions.

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 financial transactions and reporting and the preparation 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 2015-002

Subject: Special Education Cluster (IDEA) - Cash Management and Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-052-PN01, 14214-052-PN01,
14215-052-PN01, 99914-052-TA01,
45713-052-PN01, 45714-052-PN01,
45715-052-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2013-005.

Condition

Management of the School Corporation had not established an effective internal control system related to the Cash Management and Reporting compliance requirements.

Cash Management

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

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Reporting

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

Context

The lack of controls was a systemic problem over the requirements listed above during the entire 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

Management had not developed a system of internal controls to provide oversight of duties performed by the Fiscal Agent to ensure compliance with the compliance requirements of the grant.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and 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.

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-003

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 2014, FY 2015
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is not a repeat finding.

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not have procedures in place to determine if vendors had been suspended or debarred from participating in federal programs.

Context

Management was not aware of the requirement and no controls were in place to ensure that vendors had not been suspended or debarred. This was a systemic problem for the entire 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. . . ."

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 was not aware of the program requirements regarding the Procurement and Suspension and Debarment compliance requirement.

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. 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 controls to ensure compliance with the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2015-004

Subject: Internal Controls over Child Nutrition Cluster

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, Cash Management, Eligibility, Equipment and Real Property Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2013-003.

Condition

Management of the School Corporation had not established an effective internal control system over the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income, Cash Management, Eligibility, Equipment and Real Property Management, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income

The School Lunch fund was maintained on the School Corporation's Extra-Curricular ledger. One employee was primarily responsible for writing checks and posting checks to the School Lunch fund. There was no documentation of an oversight, review process, or other compensating control to ensure that disbursements from the School Lunch fund were in accordance with program requirements.

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cash Management

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

Eligibility

The School Corporation had not established an effective control over the determination of eligibility for free and reduced priced meals. The School Corporation had one employee who determined eligibility during the audit period. There was no documentation of an oversight, review process, or other compensating control to ensure eligibility was properly determined.

Equipment and Real Property Management

A control process had not been established to ensure equipment purchased with federal funds was included on the school corporation's capital asset ledger. There was no documentation of an oversight, review process, or other compensating control.

Reporting

A control process had not been established to ensure the Annual Financial Reports and Verification Summary Reports were accurate prior to submission. One person was responsible for preparing and submitting the reports. There was no documentation of an oversight, review process, or other compensating control.

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

A control process had not been established to ensure the verification of free and reduced priced applications was performed in accordance with program requirements. One person was responsible for entering data from the applications into the computer system. The same person performed the required eligibility verifications. There was no documentation of an oversight, review process, or other compensating control.

Context

The lack of controls was a systemic problem over the requirements listed above during the entire 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

Management had not developed a system of internal controls that would ensure compliance with the requirements outlined above.

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2015-005

Subject: Internal Controls over Title I Grants to Local Educational Agencies

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): 13-6895, 14-6895, 15-6895

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Reporting, and Special Tests and Provisions - Participation of Private School Children, Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior year. The prior year finding number was 2013-004.

Condition

Management of the School Corporation had not established an effective internal control system over the following compliance requirements: Eligibility, Reporting, Special Tests and Provisions - Participation of Private School Children, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

Eligibility - Individuals

The School Corporation had not designed or implemented adequate policies or procedures to ensure that private school children were eligible to receive Title I services. There was no documentation of an oversight, review process, or other compensating control.

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Eligibility - Group or Area

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the enrollment and poverty data for both public and nonpublic schools reported in the grant applications was accurate. One person was responsible for preparing and submitting the grant application. There was no documentation of an oversight, review process, or other compensating control.

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that Final Expenditure Reports were accurate. One person was responsible for preparing and submitting the report. There was no documentation of an oversight, review process, or other compensating control.

Special Tests and Provisions - Participation of Private School Children

The School Corporation had one employee solely responsible for performing consultations with private school officials and completing and signing the Affirmation of Consultation with Private School Officials. There was no documentation of an oversight, review process, or other compensating control in place to ensure consultation with the private school officials took place.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation did not have adequate internal controls over the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement. The School Corporation had one employee primarily responsible for obtaining documentation to support a student's removal from a cohort. There was no documentation of an oversight or review process in place to ensure compliance with this requirement.

Context

The lack of controls was a systemic problem over the requirements listed above during the entire 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

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish internal controls could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

BATESVILLE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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



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Corrective Action Plan

FINDING 2015-001

Contact Person Responsible for Corrective Action: Todd Nobbe
Views of Responsible Official: We concur with the finding.
Contact Phone Number: 812-934-2194

Receipts: Cash and Checks received will be recorded on control form held by someone other than the person who reconciles the bank accounts.

Disbursements: All disbursement and adjustments are presented to the School Board monthly for review.

Schedule of Expenditures of Federal Awards will be reviewed by Superintendent.

Completion Date: December 2017

FINDING 2015-002

Contact Person Responsible for Corrective Action: Todd Nobbe
Views of Responsible Official: We concur with the finding.
Contact Phone Number: 812-934-2194

Superintendents review and sign a form at the monthly ROD board meetings that details each fund along with fund balances, date of availability, cash balances, and other reporting information requests and final reports are received and filed locally

Completion Date: August 2016

FINDING 2015-003

Contact Person Responsible for Corrective Action: Todd Nobbe
Views of Responsible Official: We concur with the finding.
Contact Phone Number: 812-934-2194

Vendors will be review for suspension or debarment for federal programs. Supporting documentation will be kept for audit.

Completion Date: December 2017

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FINDING 2015-004

Contact Person Responsible for Corrective Action: Todd Nobbe
Views of Responsible Official: We concur with the finding.
Contact Phone Number: 812-934-2194

A Food Service Director was hired in August 2017. They will be reviewing monthly expense reports to verify proper posting of expenses, reviewing cash balances, and maintaining list of equipment. Corporation Treasurer will review Annual Financial Reports and Verification Summary Reports for accuracy. As for Verification of Free and Reduced Price Application this was corrected it the 16-17 SY.

Completion Date: November 2017

FINDING 2015-005

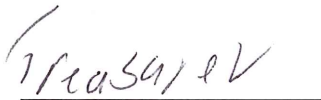
Contact Person Responsible for Corrective Action: Todd Nobbe
Views of Responsible Official: We concur with the finding.
Contact Phone Number: 812-934-2194

Private School supporting data will requested and reviewed by the Title I Grant Coordinator. Grant Coordinator and Corporation Treasurer will review Final Expenditure Report. A second individual from the Corporation Office will review the grant application. After completing the Annual Report Card, High School Graduation Rate information the Registrar will have the appropriate supervisor review and sign off on the information,

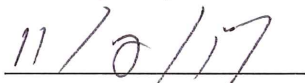
Completion Date: November 2017



(Official Signature)



(Title)



(Date)

BATESVILLE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 2, 2017, with Todd W. Nobbe, Treasurer; Paul Ketcham, Superintendent of Schools; Jeremy Raver, President of the School Board; and Janeen Goldsmith, Extra-Curricular Treasurer.