

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

WEST LAFAYETTE COMMUNITY
SCHOOL CORPORATION
TIPPECANOE COUNTY, INDIANA

July 1, 2013 to June 30, 2015



FILED
03/09/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ross Sloat Tim Clary Ross Sloat	07-01-13 to 06-30-15 07-01-15 to 12-31-15 01-01-16 to 06-30-18
Superintendent of Schools	Rocky D. Killion	07-01-13 to 06-30-18
President of the School Board	Alan R. Karpick	07-01-13 to 06-30-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION, TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the West Lafayette 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

January 31, 2018

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2015-001

Subject: Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of finding 2013-001 from the immediate prior audit.

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).

Context

Due to the lack of controls, the SEFA presented for audit contained the following errors:

1. National School Lunch Program commodity expenditures were understated by \$42,869 for the year ended June 30, 2014, and \$47,691 in commodity expenditures were not properly reported for the year ended June 30, 2015.
2. Migrant Education_State Grant Program expenditures were understated by \$635,440 for the year ended June 30, 2015.
3. Special Education_Grants to States expenditures were understated by \$385,874 and \$430,217 for the years ended June 30, 2014 and 2015, respectively.

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...."

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. . . ."

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"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.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remain undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2015-002

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

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 13-14, SY 14-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Reporting, Special Test and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of finding 2013-002 from the immediate prior audit regarding the Eligibility and Reporting compliance requirements.

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with the grant agreement and the following compliance requirements:

Eligibility

The School Corporation had not established an effective control to ensure that the eligibility determinations for free and reduced price meals were accurate. One employee processed the applications for free and reduced price meals, which included determining eligibility, without oversight or review.

Reporting

The School Corporation had not established an effective control to ensure that required reports were complete and accurate prior to submission. One employee prepared and submitted the Monthly Sponsor Claim Summaries without oversight, review, or approval.

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

The School Corporation had not established an effective control to ensure the verification of eligibility determinations for free and reduced price meals were accurate. One employee processed the verification for all selected applications without oversight or review.

Context

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

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

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

Cause

The School Corporation had not developed a system of internal controls that segregated key functions related to the Eligibility, 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure compliance with the grant agreement and Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 2015-003

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): SY 13-14, SY 14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The School Corporation did not perform, nor did they obtain documentation that its purchasing service performed, the required Procurement and Suspension and Debarment procedures.

Context

The lack of controls and noncompliance were systemic issues, which occurred throughout the audit period. The School Corporation used a purchasing service, but was unable to provide documentation that any procurement processes were performed at the local level. Additionally, the School Corporation did not perform any of the required procedures to ensure that vendors were 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. . . ."

7 CFR 210.21 states in part:

"(c) *Procedures.* . . . A school food authority may use its own procurement procedures which reflect applicable State and local laws and regulations, provided that procurements made with nonprofit school food service account funds adhere to the standards set forth in this part and §§ 3016.36(b) through 3016.36(i), 3016.60 and 3019.40 through 3019.48 of this title, as applicable, and in the applicable Office of Management and Budget Circulars. School food authority procedures must include a written code of standards of conduct meeting the minimum standards of § 3016.36(b)(3) or § 3019.42 of this title, as applicable.

(1) *Pre-issuance review requirement.* . . . The school food authority must make available, upon request by the State agency, its procurement documents, including but not limited to solicitation documents, specifications, evaluation criteria, procurement procedures, proposed contracts and contract terms. . . ."

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."

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled 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 establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2015-004

Subject: Child Nutrition Cluster - Special Tests and Provisions - Paid Lunch Equity

Federal Agency: Department of Agriculture

Federal Program: National School Lunch Program

CFDA Number: 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): SY 13-14, SY 14-15

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity

Audit Findings: Material Weakness, Other Matters

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement. The School Corporation had not designed or implemented adequate policies and procedures to ensure the required Paid Lunch Equity calculations were being completed.

Context

The lack of controls and noncompliance were systemic issues and occurred throughout the audit period.

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 states in part:

"(a) *Nonprofit school food service.* School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under §210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*). . . ."

(e) *Pricing paid lunches.* For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

(i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.

(ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (*i.e.*, the reimbursement difference);

(iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

The School Corporation had not developed a system of internal controls that segregated key functions related to the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish an effective internal control system enabled 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.

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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

FINDING 2015-005

Subject: Title I Grants to Local Educational Agencies - Cash Management and Reporting
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): 13-7875, 14-7875, 15-7875
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Reporting
Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management and Reporting compliance requirements. The School Corporation had not designed or implemented adequate policies and procedures to ensure that program funds were expended prior to requesting reimbursements and that the Reimbursement Forms (monthly reimbursement requests) were accurate prior to submission. No review of the reports prior to submission was documented.

Context

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

Criteria

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

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

Cause

The School Corporation had not developed a system of internal controls that segregated key functions related to the Cash Management and Reporting 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 also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

WEST LAFAYETTE 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, including segregation of duties, to ensure compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

Views of Responsible Officials

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

West Lafayette Schools Business Office

1130 North Salisbury Street ▪ West Lafayette, Indiana 47906-2447
(765) 746-1602 • FAX (765) 746-1644 • www.wl.k12.in.us

CORRECTIVE ACTION PLAN

FINDING 2015-001 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Ross Sloat
Contact Phone Number: 765-746-1602

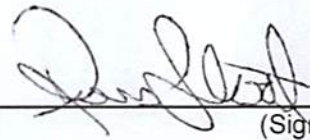
Views of Responsible Official:

Description of Corrective Action Plan:

In order to prepare and correct the SEFA report through Gateway, consistency in preparation will be implemented. The Deputy Treasurer, or whomever compiles the information for the report, will have the Business Manager/Chief Financial Officer review and initial the document prior to submission.

This report has been adjusted/corrected through the 2013-2015 audit, and will be corrected with necessary adjustments made for future years.

Anticipated Completion Date: March 1, 2018



(Signature)

Interim Chief Financial Officer

(Title)

January 31, 2018

(Date)

West Lafayette Schools Business Office

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CORRECTIVE ACTION PLAN

FINDING 2015-002 (Auditor Assigned Reference Number)

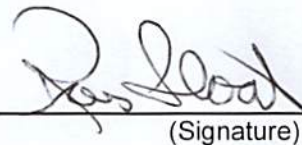
Contact Person Responsible for Corrective Action: Ross Sloat
Contact Phone Number: 765-746-1602

Views of Responsible Official: Not applicable in this case.

Description of Corrective Action Plan:

WLCSC is currently in the process to hire an additional staff member to work in the Food Service Department. Included in the job description will be the review the determinations for free reduced applications, and also do the verifications. This position will allow for segregation of duties, whereas until this time, the lack of sufficient staff has been a limiting factor. This position will also review reports before being submitted.

Anticipated Completion Date: March 1, 2018



(Signature)

Interim Chief Financial Officer

(Title)

January 31, 2018

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-003 (Auditor Assigned Reference Number)

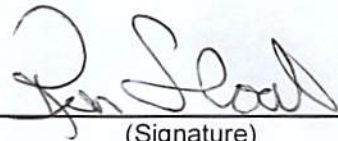
Contact Person Responsible for Corrective Action: Janelle Wade
Contact Phone Number: 765-746-1602

Views of Responsible Official: Not applicable in this case.

Description of Corrective Action Plan:

WLCSC misunderstood that belonging to HPS (co-op) still required additional information from the Food Service Department and then approval from the WL School Board. The FS Department will collect bids annually, and establish internal controls to ensure that 2 CFR 180.300 is followed by completing one of the given three options to satisfy Suspension & Debarment. Finally, these will get sent to the School Board for approval. In addition, the hiring of a Dietitian should help in this area of compliance.

Anticipated Completion Date: March 1, 2018



(Signature)

Interim Chief Financial Officer

(Title)

January 31, 2018

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-004 (Auditor Assigned Reference Number)

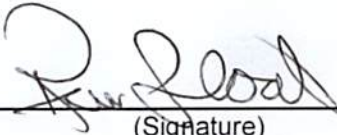
Contact Person Responsible for Corrective Action: Ross Sloat
Contact Phone Number: 765-746-1602

Views of Responsible Official: Not applicable in this case.

Description of Corrective Action Plan:

In order to comply with the Paid Lunch Equity requirement, the Dietitian that will be hired will be directed to use the proper tools to establish lunch prices which will be reviewed and approved by the School Board.

Anticipated Completion Date: March 1, 2018



(Signature)

Interim Chief Financial Officer

(Title)

January 31, 2018

(Date)

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CORRECTIVE ACTION PLAN

FINDING 2015-005 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Ross Sloat

Contact Phone Number: 765-746-1602

Views of Responsible Official: Not applicable in this case.

Description of Corrective Action Plan:

In order to comply to ensure that reimbursement forms for Title I Grants are accurate, a system will be developed whereby the CFO will review all reports and not limited to reimbursement reports for accuracy. To verify this control reports will be printed and signed off after review by the CFO/Business Manager.

Anticipated Completion Date: March 1, 2018



(Signature)

Interim Chief Financial Officer

(Title)

January 31, 2018

(Date)

WEST LAFAYETTE COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on January 31, 2018, with Rocky D. Killion, Superintendent of Schools; Ross Sloat, Treasurer; Alan R. Karpick, President of the School Board; Bradley W. Marley, School Board member; Rachel D. Witt, School Board member; Melissa Prochnau, School Board member; Karen Springer, School Board member; and Brian Bittner, School Board member.