

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
TIPPECANOE VALLEY SCHOOL CORPORATION
KOSCIUSKO COUNTY, INDIANA
July 1, 2015 to June 30, 2017



FILED
03/14/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2017-001	
Financial Transactions and Reporting	4-5
Finding 2017-002	
Child Nutrition Cluster - Cash Management	5-6
Finding 2017-003	
Child Nutrition Cluster - Program Income	7-8
Corrective Action Plan.....	9-11
Audit Result and Comment:	
Overdrawn Cash Balances.....	12
Official Response	13
Exit Conference.....	14

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jessica McFarland	07-01-15 to 06-30-18
Superintendent of Schools	Brett R. Boggs	07-01-15 to 06-30-18
President of the School Board	Bryan Murphy Dave O'Brien Todd Hoffman Adam Heckaman	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TIPPECANOE VALLEY SCHOOL
CORPORATION, KOSCIUSKO COUNTY, INDIANA

This report is supplemental to our audit report of the Tippecanoe Valley School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. 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, were not verified for accuracy.

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

February 20, 2018

TIPPECANOE VALLEY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-001 from the immediate prior audit.

Condition

There were several deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting.

1. **Lack of Segregation of Duties:** The School Corporation had not separated incompatible activities related to Cash Balances and Receipts. All four of the School Corporation's Extracurricular Account (ECA) Treasurers, who accounted for the food service transactions and balances, reconciled their bank statements monthly. However, there was no control in place to ensure the accuracy of the monthly reconcilements.

There were also no adequate controls to ensure the accuracy of the school lunch receipts that were posted to the records and reported in the financial statement. Only one of the four ECAs had a review process in place.

2. **Monitoring of Controls:** The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting would have required the School Corporation to monitor and assess the quality of the system of internal 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. . . ."

TIPPECANOE VALLEY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the School Corporation establish a system of internal controls related to Financial Transactions and Reporting.

Views of Responsible Officials

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

FINDING 2017-002

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): FY15-16, FY16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-003.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The School Corporation did not have effective controls to monitor the net cash resources of the School Lunch fund and failed to ensure that the amount did not exceed the 3 months average expenditures.

Context

The lack of controls and noncompliance were systemic problems. The net cash resources in the School Lunch fund exceeded the 3 months average expenditures for all 24 months of the audit period. The average excess balances were \$209,300 and \$137,362 for FY2016 and FY2017, respectively.

TIPPECANOE VALLEY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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; . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system enabled 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 establish controls to ensure compliance and comply with the Cash Management compliance requirement.

Views of Responsible Officials

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

TIPPECANOE VALLEY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-003

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): FY15-16, FY16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-002.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the requirements for Program Income. The School Corporation had not designed or implemented adequate policies and procedures to ensure that all of the collections received for sold breakfast and lunches were properly deposited and recorded into the School Lunch fund.

Context

The lack of internal controls was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation had not developed a system of internal controls that would have segregated key functions related to the Program Income compliance requirement.

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 requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirement 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.

TIPPECANOE VALLEY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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



Tippecanoe Valley School Corporation

8343 South State Road 19

Akron, IN 46910

Phone: 574.598-2759

Fax: 574.598-2773

Mr. Brett R. Boggs, Ed.S.
Superintendent

Mr. Blaine Conley, Ed.S.
Assistant Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017 - 001 (Auditor Assigned Reference Number)
Contact Person Responsible for Corrective Action: Jessica McFarland
Contact Phone Number: 574-598-2759

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

New control procedures have been implemented in response to Audit Finding 2017-001. Review procedures will be put in place for monthly bank reconciliements of the ECA accounts as well as their daily school lunch receipts. Building Principals will be reviewing the bank reconciliements on a monthly basis. The lunch receipts will be verified and reviewed by the cafeteria manager.

Anticipated Completion Date: Will be continuous from February 19, 2018.

Jessica McFarland
(Signature)
Corporation Treasurer
(Title)
2-19-18
(Date)



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8343 South State Road 19

Akron, IN 46910

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Mr. Brett R. Boggs, Ed.S.
Superintendent

Mr. Blaine Conley, Ed.S.
Assistant Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017 - 002 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jessica McFarland

Contact Phone Number: 574-598-2759

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

A documented plan will be made to spend down the current School Lunch funds. Furthermore, account balances will be reviewed on a periodic basis.

Anticipated Completion Date: Will be continuous from February 19, 2018.

Jessica McFarland
(Signature)
Corporation Treasurer
(Title)
2-19-18
(Date)



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Mr. Brett R. Boggs, Ed.S.
Superintendent

Mr. Blaine Conley, Ed.S.
Assistant Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017 - 003 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Jessica McFarland

Contact Phone Number: 574-598-2759

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Procedures will be implemented at each school for the review of program revenue.

Anticipated Completion Date: Will be continuous from February 19, 2018.

Jessica McFarland
(Signature)
Corporation Treasurer
(Title)
2-19-18
(Date)

TIPPECANOE VALLEY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at June 30, 2015, and June 30, 2016, that were not reimbursable grants. The United Way Grant, Preschool Grant - United Way, Non-English Speaking 2013-2014, School Performance Award, and Fed School Age 2010 - 2011 funds are overdrawn because the School Corporation is expending more than the grant award amount:

Fund	Amount Overdraw at June 30, 2016	Amount Overdraw at June 30, 2017
United Way Grant	\$ 197	\$ 197
Preschool Grant-United Way	-	4,678
Non-English Speaking 2013-2014	43	43
School Performance Award	-	67
TVHS Distinguished Alumni	776	1,094
Fed School Age 2010 - 2011	232	232
Payroll Withholdings	27,763	25,935
Totals	<u>\$ 29,011</u>	<u>\$ 32,246</u>

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)



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Mr. Brett R. Boggs, Ed.S.
Superintendent

Mr. Blaine Conley, Ed.S.
Assistant Superintendent

OFFICIAL RESPONSE

February 27, 2018

State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

Dear State Board of Accounts:

This letter is to serve as the "Official Response" of the Tippecanoe Valley School Corporation in regard to the Overdrawn Cash Balances. During the most recent audit for the period July 1, 2015 to June 30, 2017 four non-reimbursable grants were carrying a negative balance. The balances in these funds have been or will be corrected as of June 30, 2018.

Sincerely,



Jessica McFarland
Corporation Treasurer

TIPPECANOE VALLEY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 20, 2018, with Jessica McFarland, Treasurer; Brett R. Boggs, Superintendent of Schools; and Blaine Conley, Assistant Superintendent of Schools.