

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION

DUBOIS COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED

03/15/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2016-001	
Preparation of the Schedule of Expenditures of Federal Awards	4-5
Finding 2016-002	
Internal Controls over Financial Transactions and Reporting	5-7
Finding 2016-003	
Special Education Grants to States - Procurement and Suspension and Debarment	7-8
Finding 2016-004	
Twenty-First Century Community Learning Centers - Allowable Costs/Cost Principles	9-10
Corrective Action Plan.....	11-14
Audit Result and Comment:	
Transportation Fund Expenditures.....	15
Exit Conference.....	16

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Allison Pund	01-01-14 to 12-31-18
Superintendent of Schools	Michael Eineman Timothy LaGrange	07-01-14 to 06-30-17 07-01-17 to 06-30-18
President of the School Board	Kevin Wertman Christopher Neu	01-01-14 to 12-31-16 01-01-17 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SOUTHWEST DUBOIS COUNTY
SCHOOL CORPORATION, DUBOIS COUNTY, INDIANA

This report is supplemental to our audit report of the Southwest Dubois County School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. 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

March 1, 2018

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

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

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

The SEFA contained the following errors: The federal expenditures were overstated by \$746,117 for fiscal year 2015 and understated by \$70,873 for fiscal year 2016. In addition, program titles were incorrect for four grants, the federal CFDA number was incorrect for one grant, and the pass-through entity (or other) identifying number was incorrect for two grants.

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. . . ."

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:

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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 remained 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.

FINDING 2016-002

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

Condition

Management of the School Corporation had not established an adequate internal control system related to Financial Transactions and Reporting of the activity in the Self-Insurance fund.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation utilized a third-party Administrator to administer the Southwest Dubois County School Corporation Employee Benefit Trust (Self-Insurance fund). The Administrator provided the School Corporation with a detailed reconciliation worksheet showing the trust's monthly income and expenditures and ending cash balances. The School Corporation used the reconciliation worksheets to enter the receipts and disbursements to the Self-Insurance fund on the financial statement.

There was no evidence of any controls to verify that the information received from the Administrator was accurate or to ensure that the receipts and disbursements reflected in the Self-Insurance fund on the financial statement were accurate.

Context

This was a systemic problem as controls over the Self-Insurance fund did not exist during the audit period.

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control to ensure proper reporting of the Receipts, Disbursements, and Cash Balance of the Self-Insurance fund.

Effect

The failure to establish a proper system of internal control could have enabled material misstatements within the Self-Insurance fund to occur and remain undetected.

Recommendation

We recommended that the School Corporation establish a system of controls related to Financial Transactions and Reporting related to the Self-Insurance fund. We recommended that the School Corporation establish controls to verify the accuracy of the information received from the Administrator to ensure proper reporting of Self-Insurance fund transactions in the financial statement.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-003

Subject: Special Education Grants to States - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-011-PN01, 14214-011-PN01,
14215-011-PN01, 14216-009-PN01,
99914-011-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member of the Exceptional Children's Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds.

Management of the Cooperative had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The Cooperative's Director signed the Application and Assurance Plan as a Condition of Federal Assistance, which stated that the Cooperative would check the subcontractors to make sure they were not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any federal agency or by any department, agency, or political subdivision of the State of Indiana. However, the Cooperative did not have procedures in place to verify that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a covered transaction with them. The School Corporation, which is ultimately responsible for compliance with the compliance requirement, did not monitor the Cooperative's procedures or implement its own controls related to the compliance requirement.

Context

During the 2014-2015 and 2015-2016 school years, there were two covered transactions entered into that exceeded \$25,000. The Cooperative did not verify that the vendors were not suspended or debarred prior to entering into either covered transaction.

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. . . ."

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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). . . ."

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 of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the grant agreement and the Procurement and Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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 develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment 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.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Twenty-First Century Community Learning Centers - Allowable Costs/Cost Principles
Federal Agency: Department of Education
Federal Program: Twenty-First Century Community Learning Centers
CFDA Number: 84.287
Federal Award Number and Year (or Other Identifying Number): FY14-15
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The Indiana Department of Education (IDOE) prepared an indirect cost allocation plan from the School Corporation's Biannual Financial Report, which determined a fixed rate for indirect costs. However, the School Corporation did not apply the indirect cost fixed rate percentage to claim the indirect costs. The School Corporation claimed the amount budgeted for indirect costs with no documentation to support the basis for claiming indirect costs.

Context

Internal control issues were systemic during fiscal year 2014-2015. The calculated indirect cost fixed rate percentage was not used in fiscal year 2014-2015.

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. . . ."

34 CFR 80.20(b) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income. . . .

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (6) *Source documentation.* Accounting records must be supported by such source documentation as cancelled checks, paid bills, payrolls, time and attendance records, contract and subgrant award documents, etc. . . ."

OMB Circular A-87, Attachment E, section F(3) states:

"Indirect cost allocations not using rates. In certain situations, a governmental unit, because of the nature of its awards, may be required to develop a cost allocation plan that distributes indirect (and, in some cases, direct) costs to the specific funding sources. In these cases, a narrative cost allocation methodology should be developed, documented, maintained for audit, or submitted, as appropriate, to the cognizant agency for review, negotiation, and approval."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or 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 Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

Southwest Dubois County School Corporation

113 N Jackson St, Huntingburg IN 47542
Phone 812-683-3971 • Fax 812-683-2752
www.swdubois.k12.in.us • lagranget@swdubois.k12.in.us

Tim LaGrange, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Allison Pund
Contact Phone Number: 812-683-3971

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Treasurer will carefully prepare the SEFA and the Superintendent will review it and ensure it is accurate and complete.

Anticipated Completion Date: Immediate

Allison Pund
(Signature)

Treasurer
(Title)

2/26/18
(Date)



Southwest Dubois County School Corporation

113 N Jackson St, Huntingburg IN 47542
Phone 812-683-3971 • Fax 812-683-2752
www.swdubois.k12.in.us • lagranget@swdubois.k12.in.us
Tim LaGrange, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Allison Pund
Contact Phone Number: 812-683-3971

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: To increase the Internal Controls of our Self-Insurance plan, we requested that we receive monthly statements for all accounts through the plan. These statements will be reconciled monthly with the account breakdown given by the Self-Insurance plan. Due to HIPPA regulations and the sensitive nature of the Trust, Southwest Dubois County Schools will continue to ensure Dunn and Associates follow all requirements set forth in the trust agreement. Dunn and Associates has had several different agencies audit and review their records. They will continue to submit to these audits and inform Southwest Dubois County Schools immediately if there are any findings associated with funds related to the Southwest Dubois County Employee Benefit Trust.

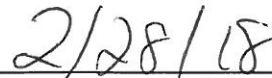
Anticipated Completion Date: Immediately



(Signature)



(Title)



(Date)



Southwest Dubois County School Corporation

113 N Jackson St, Huntingburg IN 47542
Phone 812-683-3971 • Fax 812-683-2752
www.swdubois.k12.in.us • lagranget@swdubois.k12.in.us
Tim LaGrange, Superintendent

CORRECTIVE ACTION PLAN

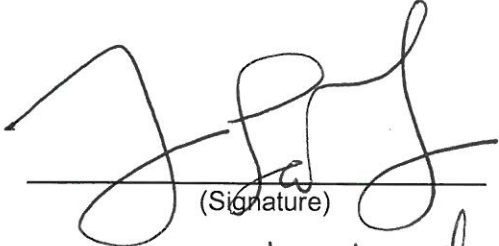
FINDING 2016-003

Contact Person Responsible for Corrective Action: Timothy LaGrange
Contact Phone Number: 812-683-3971

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: As a member of the Board of the Exceptional Children's Co-op, the superintendent will ensure that the Exceptional Children's Co-op verifies that vendors are not suspended or debarred from participating in federal assistance programs prior to awarding contracts with them.

Anticipated Completion Date: Immediate



(Signature)
Superintendent

(Title)
2/26/18



Southwest Dubois County School Corporation

113 N Jackson St, Huntingburg IN 47542
Phone 812-683-3971 • Fax 812-683-2752
www.swdubois.k12.in.us • lagranget@swdubois.k12.in.us
Tim LaGrange, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2016-004

Contact Person Responsible for Corrective Action: Allison Pund
Contact Phone Number: 812-683-3971

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Documentation will be maintained to support what we will be claiming for Indirect Costs.

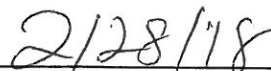
Anticipated Completion Date: Immediate



(Signature)



(Title)



(Date)



SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

TRANSPORTATION FUND EXPENDITURES

During the audit period, 20 employees were paid salaries in the amount of \$229,481 from both the Transportation Operating Fund and General fund. A separate record showing which hours were worked for transportation related services by each employee was not presented for audit.

Indiana Code 5-11-9-4 states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as transportation related (for example, Assistant Superintendent-Transportation Director). We will not take audit exception, in these situations (other than positions excluded by statute), to direct transportation related employees having direct transportation related expenses being paid from the transportation fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the transportation program and therefore payable from the transportation fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Bulletin and Uniform Compliance Guidelines, March 2012)

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 1, 2018, with Timothy LaGrange, Superintendent of Schools; Allison Pund, Treasurer; and Christopher Neu, President of the School Board.