

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

KOKOMO SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
03/21/2018

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Michelle Cronk Leslie Rittenhouse Michelle Cronk | 07-01-14 to 09-07-14 09-08-14 to 06-26-15 06-27-15 to 06-30-18 |
| Superintendent of Schools | Dr. Jeff Hauswald | 07-01-12 to 06-30-18 |
| President of the School Board | Crystal Sanburn Cristi E. Brewer-Allen Marsha Bowling | 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-18 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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TO: THE OFFICIALS OF THE KOKOMO SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Kokomo 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 8, 2018

KOKOMO SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Education Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014, FY 2015, FY 2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation did not comply with the Annual Report Card, High School Graduation Rate requirement that students removed from the high school cohort graduation rate for mobility reasons have written documentation to support the students' removal from the cohort.

The School Corporation reported four students as removed from the cohort without the proper supporting documentation.

Context

Of the 107 students listed on the Graduation Cohort Status Report as mobile, 11 were tested. Of the 11 students tested, 4 students (36 percent), did not have the required supporting documentation to substantiate their removal from the cohort for mobility reasons.

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 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). . . ."

KOKOMO SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

34 CFR 200.19(b) states in part:

"*High schools*—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . ."

- (2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

KOKOMO SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 Special Tests and Provisions - Annual Report Card, High School graduation Rate 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 2016-002

Subject: Title I Grants to Local Educational Agencies - Suspension and Debarment
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): FY 2014, FY 2015, FY 2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not perform any procedures to ensure compliance with requirements regarding verification that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

This was a systemic issue which occurred throughout the audit period. No verification procedures were performed for any of the contracted vendors paid from the grants.

KOKOMO 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. . . ."

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 the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Suspension and Debarment requirements of the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system enabled material 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.

KOKOMO SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Suspension and Debarment requirements of 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.



CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Dr. Michael Sargent, Assistant Superintendent
Dr. Dorothea Irwin, Assistant Superintendent

Contact Phone Number: (765) 455-8000

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Kokomo High School implemented a student withdrawal and transfer procedure (outlined below) to ensure required documentation for all high school students exiting a cohort is collected. The procedure will accompany all withdrawal and transfer forms for any student exiting a cohort at Kokomo High School. In addition, Kokomo High School updated the building-level withdrawal and transfer form to include any additional documentation required for all exits from a cohort. Also, withdrawals and transfers for all programs associated with Kokomo High School must take place through the KHS registrar. Kokomo High School centralized all required documentation to ensure records are easily accessible. Finally, two administrator (Academy Vice Principal and Principal) signatures are required to ensure compliance with this process.

STUDENT WITHDRAWAL/TRANSFER PROCEDURE

Student Name: _____ STN #: _____ Grade: _____

Last Date of Enrollment: _____ Semester Ends: _____ Academy: _____

1. Parent/Guardian must complete Withdraw/Transfer Form and provide additional required documentation in the Kokomo High School Main Office.
2. Once the Withdrawal/Transfer Form and additional required documentation by the Indiana Department of Education (Please see Student Withdrawal/Transfer Form for additional required documentation based on exit code) is completed by the parent with signature, all documents are sent to Academy Vice Principal for first signature and verification that all documentation is accurate and received by KHS. (If interview is required, the Academy Vice Principal will conduct the interview before signing below.)
3. Withdrawal/Transfer Form and additional required sent to registrar for 2nd signature and verification. Also, the registrar will communicate to District Bookstore if fees are to be changed to parent/guardian (if applicable).
4. Withdrawal/Transfer Form and additional documentation sent to Kokomo High School Principal for final signature and signature.
5. Withdrawal/Transfer Form returned to registrar for final withdraw from Student Management System.
6. All Withdrawal/Transfer Forms and required additional documentation will be securely stored by Graduation Cohort in KHS Main Office.

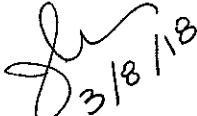
Anticipated Completion Date: Updated Withdrawal/Transfer Form was completed on January 3, 2018;
internal control to be fully implemented beginning on March 1, 2018.

Michelle Cook
Director of Business
3/8/18


(Signature)

Assistant Superintendent
(Title)

3/8/18
(Date)


3/8/18



CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Mrs. Michelle Cronk, Director of Business or her designee

Contact Phone Number: (765) 455-8000

Views of Responsible Official: Mrs. Cronk agrees with the finding

Description of Corrective Action Plan:

Federal grant managers will be provided with a certificate of assurance to send vendors that must be filled out prior to entering into a contract of \$25,000 or more to ensure that those vendors have not been federally suspended or debarred. Once this certificate of assurance is signed and returned by the vendor, one copy will be kept with the contract file and one copy will be filed in the federal grant folder maintained by the Grants Accountant.

Anticipated Completion Date: The plan is expected to be fully implemented by April 1, 2018

Michelle Cronk
Signature

Director of Business
Title

March 8, 2018
Date

[Handwritten signature]
3/8/18

KOKOMO SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 8, 2018, with Marsha Bowling, President of the School Board; Dr. Jeff Hauswald, Superintendent of Schools; and Michelle Cronk, Director of Business Affairs/Treasurer.