

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

UNION COUNTY COLLEGE CORNER
JOINT SCHOOL DISTRICT
UNION COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
04/04/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jennifer Blakley	07-01-14 to 06-30-18
Superintendent of Schools	Dr. Zach Rozelle Al Sustarsic (acting) Lynn Sheets (interim) Joe Backmeyer (interim) Christopher Winchell	07-01-14 to 11-14-16 11-15-16 to 06-30-17 11-15-16 to 01-31-17 02-01-17 to 06-30-17 07-01-17 to 06-30-18
President of the School Board	Michael Murray	07-01-14 to 06-30-18



STATE OF INDIANA
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TO: THE OFFICIALS OF THE UNION COUNTY COLLEGE CORNER
JOINT SCHOOL DISTRICT, UNION COUNTY, INDIANA

This report is supplemental to our audit report of the Union County College Corner Joint School District (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 9, 2018

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-001.

Condition

An effective internal control system was not in place at the School Corporation over payroll.

The Deputy Treasurer was completing all areas associated with the preparation and disbursement of School Corporation payroll without an oversight, review, or approval process to ensure the accuracy of payroll.

Context

The lack of internal controls over payroll was systemic 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 an effective system of internal control over payroll.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended the School Corporation's management establish controls, including segregation of duties, related to payroll.

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

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-001.

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). There were not adequate controls in place, such as oversight, review, or approval by someone other than the individual who prepared the SEFA.

Context

Federal expenditures were under reported by \$147,811 on the SEFA. The errors were as follows:

1. The National School Lunch expenditures were understated by \$47,620 for fiscal year 2015 and \$46,376 for fiscal year 2016.
2. The Special Education Cluster (IDEA) expenditures were overstated by \$70,566 for fiscal year 2015 and understated by \$81,920 for fiscal year 2016, due in part to omitting the Special Education_Preschool Grant.
3. The Title I Grants to Local Educational Agencies expenditures were understated by \$39,026 for fiscal year 2015.
4. The Improving Teacher Quality State Grants expenditures were understated by \$3,435 for fiscal year 2016.

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:

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

"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:

- (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."

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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 that the School Corporation's management establish controls, including segregation of duties, to prevent, 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 2016-003

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

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): 14213-013-PN01, 14214-013-PN01,
99914-0-PN01, 14215-013-PN01,
45713-013-PN01, 45715-013-PN01,
14216-011-PN01, 45716-011-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system related to the Allowable Costs/Cost Principles compliance requirement.

The School Corporation designated a fiscal agent to receive and manage the Special Education programs. There was no segregation of duties, such as oversight, review, or approval process by management or the fiscal agent to ensure payroll expenditures were for allowable costs.

Context

The lack of controls was a systemic problem. There were no documented internal controls for the compliance requirement during the audit period.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
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.

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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and comply with 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 2016-004

Subject: Title I Grants to Local Educational Agencies - Eligibility
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 15, FY 16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-002.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation had not established an effective internal control system related to the Eligibility compliance requirement.

The School Corporation had not established an internal control system related to the Eligibility compliance requirement. One employee determined students' eligibility during the audit period without oversight, review, or approval process.

Context

The lack of controls was a systemic problem. There were no documented internal controls for this compliance requirement during 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

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 program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management establish controls, including segregation of duties, related to 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.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

FINDING 2016-005

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity
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 15, FY 16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity
Audit Finding: Material Weakness

Condition

Management of the School Corporation has not established an effective internal control system related to the following compliance requirements: Allowable Costs/Cost Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Allowable Costs/Cost Principles

The School Corporation had not established a control to ensure funds were only expended for allowable costs of the programs. There were no controls over payroll transactions and reporting.

Eligibility

The School Corporation had not established a control over the determination of eligibility for free and reduced price applications. One employee determined eligibility during the audit period without oversight, review, or approval process.

Reporting

The School Corporation had not established a control to verify the accuracy of reports submitted to the state. The Food Service Director prepared and submitted the School Food Authority (SFA) Verification Collection Reports, the Annual Financial Report, and the Sponsor Claims (claims for reimbursement) without oversight, review, or approval process.

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

The School Corporation had not established a control over the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. One employee performed all procedures related to the verification of free and reduced price applications during the audit period without oversight, review, or approval process.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program Only)

The School Corporation had not established a control over the Special Tests and Provisions - Paid Lunch Equity compliance requirement. One employee performed all procedures related to the paid lunch equity calculations during the audit period without oversight, review, or approval process.

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic problem. There were no documented internal controls for these compliance requirements during 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.

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 have also allowed noncompliance with the compliance requirements 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management establish controls, including segregation of duties, 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.

Christopher Winchell, Superintendent
Jennifer Blakley, Treasurer
Debbie Blevins, Payroll Clerk



Jim Migoski, Director of Information
Technology
Joe Elleman, Transportation Director

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Christopher Winchell, Superintendent
Contact Phone Number: 765-458-7471
Subject: Financial Transactions and Reporting

Views of Responsible Official:

- As this is a repeat finding from our prior audit, we have corrected this finding mid-cycle

Description of Corrective Action Plan:

- To the extent that it is possible to do so in a small school corporation operating with limited staff, Union County-College Corner Joint School District will work to separate incompatible activities related to payroll.
- The Corporation Treasurer will review and sign off on payroll. The Corporation Treasurer will also provide the payroll information to the Board by adding it to the claims docket. The Board will review, approve and sign all claims dockets.

Anticipated Completion Date:

- This finding was completed in January, 2017.

FINDING 2016-002

Contact Person Responsible for Corrective Action: Christopher Winchell, Superintendent
Contact Phone Number: 765-458-7471
Subject: Preparation of the Schedule of Expenditures of Federal Awards

Views of Responsible Official:

- As this is a repeat finding from our prior audit, we have corrected this finding mid-cycle

Description of Corrective Action Plan:

- The Corporation Treasurer will continue to prepare the Schedule of Expenditures of Federal Awards (SEFA). The Union County-College Corner Joint School District will require that the Superintendent and Director of East Central Indiana Special Services Education Cooperative of which we are the LEA will both review the SEFA and sign off on that review prior to the SEFA being submitted by the Corporation Treasurer.

Anticipated Completion Date:

- This finding was completed in August of 2017, upon the submission of the SEFA.
-

FINDING 2016-003

Contact Person Responsible for Corrective Action: Christopher Winchell, Superintendent
Contact Phone Number: 765-458-7471
Subject: Special Education Cluster (IDEA) – Allowable Costs/Cost Principles

Views of Responsible Official:

- As this is a repeat finding from our prior audit, we have corrected this finding mid-cycle.

Description of Corrective Action Plan:

- The Board of the Co-op will be reviewing all payroll information.

Anticipated Completion Date:

- This finding was completed in September 20, 2017.

FINDING 2016-004

Contact Person Responsible for Corrective Action: Christopher Winchell, Superintendent
Contact Phone Number: 765-458-7471
Subject: Title I Grants to Local Educational Agencies - Eligibility

Views of Responsible Official:

- As this is a repeat finding from our prior audit, we have corrected this finding mid-cycle.

Description of Corrective Action Plan:

- The Union County-College Corner Joint School District will require the Title I Teacher at Liberty Elementary School and the Title I Teacher at College Corner Union School to review the determinations for eligibility with one another's respective locations to ensure they were calculated correctly and both will sign off one another's determinations.

Anticipated Completion Date:

- This finding was completed in January, 2016.

FINDING 2016-005

Contact Person Responsible for Corrective Action: Christopher Winchell, Superintendent
Contact Phone Number: 765-458-7471
Subject: Internal Controls over Child Nutrition Cluster

Views of Responsible Official:

- Based on the SBOA Audit findings we recognize the expectation of the SBOA based on Indiana Code for the establishment and execution of internal controls. We do not believe that any funds have been mishandled, nor do we believe that any procedural efforts have been purposefully neglected. To the extent that it is possible in a small rural school corporation operating with limited staff we acknowledge and accept the expectations noted, and we have provide the following plan of action. In most situations the plan of action has already been implemented in

some way shape or form since July 1, 2017. We will continue to work to improve these efforts with the guidance from the SBOA

Description of Corrective Action Plan:

- The Corporation Treasurer will review and sign off on payroll. The Corporation Treasurer will also provide the payroll information to the Board by adding it to the claims docket. The Board will review, approve and sign all claims dockets.
- The Food Service Director will be assisted by each school buildings Treasurer or Secretary in reviewing and approving the eligibility requirements for free and reduced price applications. Both the Food Service Director and Treasurer or Secretary will sign off on each application.
- The Food Service Director will complete all state reports, including School Food Authority (SFA) Verification Collection Reports, the Annual Financial Report, and the Sponsor Claims (claims for reimbursement). The Corporation Treasurer will review all state reports with the Food Service Director, and sign off on each report.
- The Food Service Director will be assisted by the Corporation Secretary in verifying the free and reduced price applications. Both the Food Service Director and the Corporation Secretary will sign off on each application once it is verified.
- The Food Service Director will provide a handout to the Board each year regarding the paid lunch equity compliance requirement. The Food Service Director and the Corporation Treasurer will review the paid lunch equity calculations prior to taking the information to the Board. The Board will then review the documentation and will need to approve any pricing increase.

Anticipated Completion Date:

- These findings have been corrected under the direction of the new Food Service Director, effective July 1, 2017.
- The lunch equity compliance requirement will be corrected in May, 2018, with the calculations going to the Board for review and approval.



Christopher Winchell
Superintendent, UCCCJSD
March 9, 2018

UNION COUNTY COLLEGE CORNER JOINT SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 9, 2018, with Jennifer Blakley, Treasurer; Christopher Winchell, Superintendent of Schools; and Michael Murray, President of the School Board.