

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RENSSELAER CENTRAL SCHOOL CORPORATION

JASPER COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
04/10/2018

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 - Internal Controls	5-7
Finding 2017-003	
Child Nutrition Cluster - Allowable Costs/Cost Principles	7-9
Finding 2017-004	
School Breakfast Program, National School Lunch Program - Cash Management	9-11
Finding 2017-005	
Child Nutrition Cluster - Program Income	11-13
Finding 2017-006	
Child Nutrition Cluster - Procurement and Suspension and Debarment	13-15
Finding 2017-007	
Special Education Cluster (IDEA) - Allowable Costs/Cost Principles	15-17
Finding 2017-008	
Special Education Cluster (IDEA) - Level of Effort	17-18
Finding 2017-009	
Special Education Cluster (IDEA) - Period of Performance.....	18-20
Finding 2017-010	
Special Education Cluster (IDEA) - Procurement and Suspension and Debarment.....	20-22
Corrective Action Plan.....	23-32
Audit Result and Comment:	
Overdrawn Cash Balances.....	33
Exit Conference.....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Dawn D. Claussen	07-01-15 to 06-30-18
Superintendent of Schools	Ned Speicher Curtis Craig	07-01-15 to 12-31-16 01-01-17 to 06-30-18
President of the School Board	Rich Ludington Charles Parrish	07-01-15 to 06-30-16 07-01-16 to 06-30-18



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 RENSSELAER CENTRAL SCHOOL
CORPORATION, JASPER COUNTY, INDIANA

This report is supplemental to our audit report of the Rensselaer Central 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

March 8, 2018

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

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 2015-001.

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting. The School Corporation had not separated incompatible activities related to Cash and Investments and Receipts.

Cash and Investments

Monthly bank reconciliations were prepared by one individual without a proper system of oversight or review.

Receipts

The Treasurer issued and recorded receipts, prepared the deposits, took the deposits to the bank, and performed the monthly reconciliation of the bank balance to the record balance without a proper system of oversight or review.

Context

The lack of adequate internal controls was a systemic issue throughout 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. . . ."

RENSELAER CENTRAL 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 material misstatements or irregularities to remain undetected.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to monthly cash reconcilements and the receipt issuance.

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 - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Reporting, Special
Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Reporting, and Special Tests and Provisions - Paid Lunch Equity.

Activities Allowed or Unallowed

The School Corporation had not established an effective internal control system to ensure that vendor disbursements were for allowable activities. The Food Service Director did not document a review of program expenditures prior to payment.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure accurate reporting of the School Food Authority (SFA) Verification Collection Reports, Annual Financial Reports, and monthly Sponsor Claims (claims for reimbursement). A proper system of oversight or review to ensure the accuracy of the reports was not established.

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the paid lunch equity calculations were accurate. An oversight or review process had not been established.

Context

The lack of controls was a systemic issue 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. . . ."

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

Management 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.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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.

FINDING 2017-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation had not established an effective internal control system to ensure that vendor disbursements were for allowable costs. The Food Service Director did not document a review of program expenditures prior to payment.

The School Corporation paid a total of \$72,890 to two vendors for flowers (\$40) and a portion of the School Corporation's total utility bill (\$72,850). When the sample errors for the flower purchase noted above were projected to the population as a whole, additional likely errors of \$169 were identified. These were paid without adequate supporting documentation that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Context

The lack of controls was a systemic problem. There were no controls throughout the audit period.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Payments without adequate supporting documentation of their allowability totaled 8 percent of the vendor payments 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. . . ."

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). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that would have segregated key functions.

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

Known questioned costs of \$72,890 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply 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.

FINDING 2017-004

Subject: School Breakfast Program, National School Lunch Program - 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): FY 15-16, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the School Lunch fund cash balance (net cash resources) did not exceed three months average expenditures.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not comply with the Cash Management requirement that they limit its net cash resources to three months average expenditures.

Context

The lack of controls was a systemic issue throughout the audit period. The cash balance in the School Lunch fund (net cash resources) exceeded three months average expenditures for all 24 months of 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. . . ."

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:

"Each school food authority approved to participate in the program shall . . . with respect to participating schools under its jurisdiction: . . .

(iv) Limit its net cash resources 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

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Cash Management compliance requirement.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 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.

FINDING 2017-005

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-006.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not designed or implemented adequate policies and procedures to ensure that program income was properly recorded in the financial records.

The School Corporation did not comply with Program Income requirements. They did not transfer the correct amount of sales from the prepaid food account. The transfer from the School Lunch Clearing Account (8400) to the School Lunch fund (800) was the difference between the beginning balance in the account and the ending positive prepaid balance per the eTrition food service software. The actual program income generated from the food service program was not transferred or recorded.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

This was a systemic issue. The School Corporation failed to properly record program income in the School Lunch fund 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. . . ."

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(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.13(i) states in part: "Each State agency . . . shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. . . ."

7 CFR 225.6(e) states in part:

"*State-Sponsor Agreement.* A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

Cause

The School Corporation had not designed or implemented adequate policies and procedures to ensure compliance with the Program Income compliance requirement.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply 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.

FINDING 2017-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 15-16, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-005.

Condition

Procurement

The School Corporation had not established an effective internal control system to ensure compliance with procurement requirements. The School Board adopted a Procurement policy on May 17, 2016; however, there were no controls in place to ensure that the policy was followed.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation did not comply with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement for the 2015-2016 school year. They did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and the noncompliance were isolated to the 2015-2016 school year within 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. . . ."

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 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

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

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 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 2017-007

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): 14214-051-PN01, 14215-051-PN01,
14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

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 Allowable Costs/Cost Principles compliance requirement.

The School Corporation reimbursed the Fiscal Agent for its special education payroll expenditures. The School Corporation did not have controls in place to ensure the accuracy of the payroll expenditures reported by the Fiscal Agent. In addition, a review of the vendor claims prior to payment by the School Corporation was not consistently documented.

The School Corporation, as the Fiscal Agent of the Special Education Cooperative (Cooperative), paid member School Corporations for payroll costs related to speech therapists employed at each School Corporation. Personnel activity reports or equivalents were not maintained for the 2016-2017 school year's portion of the speech therapists' salaries and related costs paid from the grant. The Cooperative paid each member School Corporation based on its grant budgets for speech therapists, which did not properly document time attributable to the grant.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

This was a systemic issue during the second year of the audit period. Member school corporations were paid for speech therapists based on the grant's budget during the 2016-2017 school year.

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). . . ."

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation had not established a proper or effective internal control structure that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles 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.

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

Known questioned costs of \$144,997 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply 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.

FINDING 2017-008

Subject: Special Education Cluster (IDEA) - Level of Effort

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): 14214-051-PN01, 14215-051-PN01,
14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the level of effort - maintenance of effort requirements of the Matching, Level of Effort, Earmarking compliance requirement.

One individual prepared the maintenance of effort report without a proper system of oversight or review.

Context

This was a systemic issue throughout the audit period.

Criteria

2 CFR 200.303 states in part:

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"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

Management 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. The 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 to ensure compliance with the Matching, Level of Effort, Earmarking 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 2017-009

Subject: Special Education Cluster (IDEA) - Period of Performance

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): 14214-051-PN01, 14215-051-PN01,
14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Findings: Material Weakness, Modified Opinion

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Period of Performance compliance requirement.

The School Corporation failed to comply with the Period of Performance compliance requirement that all obligations for expenditures made from program funds were incurred within the period of performance. The obligation and/or payment of claims did not occur within the period of availability for transactions charged and recorded to the grant prior to the period of availability.

The School Corporation became the Fiscal Agent for the Special Education Cluster (IDEA) programs on July 1, 2016. The Indiana Department of Education awarded the remaining grant funds from the 2015-2016 school year to the School Corporation on July 11, 2016. Per the award letter, expenses accrued beginning on July 11, 2016, were eligible for reimbursement. There were underlying obligations for disbursements totaling \$160,755 which occurred prior to the period of performance.

Context

The lack of controls and the School Corporation's failure to comply with the Period of Performance compliance requirement was an isolated issue which occurred during the transition of the Special Education Cooperative's Fiscal Agent from one member School Corporation to the Rensselaer Community School Corporation at the beginning of the 2016-2017 school year.

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). . . ."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in §200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

2 CFR 200.77 states:

"Period of performance means the time during which the non-Federal entity may incur new obligations to carry out the work authorized under the Federal award. The Federal awarding agency or pass-through entity must include start and end dates of the period of performance in the Federal award (see §§200.210 Information contained in a Federal award paragraph (a)(5) and 200.331 Requirements for pass-through entities, paragraph (a)(1)(iv))."

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Period of Performance 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

Known questioned costs of \$160,755 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Period of Performance 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 2017-010

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14214-051-PN01, 14215-051-PN01,
14216-049-PN01, 14216-150-PN01,
14217-049-PN01, 99914-051-TA01,
45715-051-PN01, 45716-049-PN01,
45716-150-PN01, 45717-049-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit report. The prior audit finding numbers were 2015-007 and 2015-009.

Condition

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

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation failed to comply with the procurement requirement that small purchases and sealed bids must be in compliance with their procurement procedures, as well as state laws and procedures. Small purchase procedures were not followed which require that at least three price or rate quotations be obtained from qualified sources. There were no quotes or bids obtained for any purchases during the audit period.

The School Corporation did not perform any procedures to verify 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. There were no bids or quotes obtained for any vendors during the audit period. No verification procedures were performed for any of the contracted vendors paid from the grants.

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 200.318(a) states in part: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

2 CFR 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources."

RENSELAER CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Rensselaer Central School Corporation Policy 6325 -
PROCUREMENT - FEDERAL GRANTS/FUNDS

Small purchase procedures provide for relatively simple and informal procurement methods for securing services, supplies, and other property the cost of which exceeds \$3,500 but is less than the competitive bid threshold of \$100,000. Small purchase procedures require that at least three (3) price or rate quotations shall be obtained from qualified sources.

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 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 had not developed a system of internal controls that would have ensured compliance with 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.

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.

RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

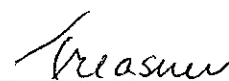
Description of Corrective Action Plan:

The administration has reviewed the office internal controls regarding Financial Transactions and Reporting. The Treasurer and Assistant Treasurer will work together preparing the receipts and bank deposits for accuracy before taking deposits to the bank. The Treasurer will prepare the monthly bank reconcilements and the Assistant Treasurer will review for accuracy. A report will be prepared for board review.

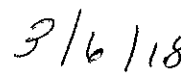
Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-002

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer, Lori Zeider, Food Service Director

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

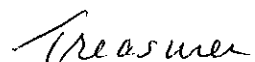
Description of Corrective Action Plan:

The administration has reviewed the office internal controls regarding Activities Allowed or Unallowed, Reporting and Special Tests and Provisions – Paid Lunch Equity. The Food Service Director and the Treasurer will implement controls to correct these findings.

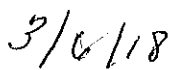
Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer, Lori Zeider, Food Service Director

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

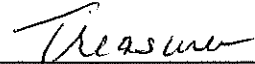
Description of Corrective Action Plan:

The administration has reviewed the office internal controls regarding Allowable Costs/Cost Principles. The Food Service Director and the Treasurer will implement controls to correct these findings and comply with program requirements. The School Corporation will be using the Indirect Cost rate for the 17-18 School year.

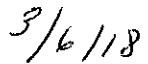
Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-004

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer, Lori Zeider, Food Service Director

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

The administration has reviewed the office internal controls regarding Cash Management compliance requirements. The Food Service Director and the Treasurer will implement controls to correct these findings. The Food Service program has a 4 year spending plan to improve the cafeterias.

Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer, Lori Zeider, Food Service Director

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

The administration has reviewed the office internal controls regarding Program Income. The Food Service Director and the Treasurer will implement controls to correct these findings. The Food Service Director and Treasurer are working together to insure compliance with program income requirements.

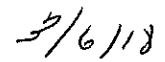
Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer, Lori Zeider, Food Service Director

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

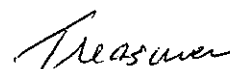
Description of Corrective Action Plan:

The administration has reviewed the office internal controls regarding Procurement, Suspension and Debarment. The Food Service Director and Treasurer are working together to ensure compliance with Procurement, Suspension and Debarment. Documentation is being kept to ensure that vendors are not Suspended or Debarred.

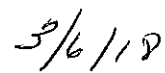
Anticipated Completion Date: June 30, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSSELAER CENTRAL SCHOOLS CORPORATION

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-007

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer, Patti Kem – Director of Special Education Cooperative School Services

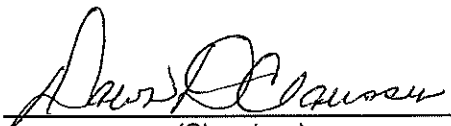
Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

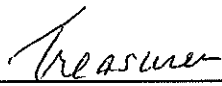
Description of Corrective Action Plan:

Cooperative School Services and Rensselaer Central Schools Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding payroll costs related to Speech/Language pathologist in the member school corporations. Time and Efforts reports for Speech Therapist are being kept to ensure compliance with allow cost.

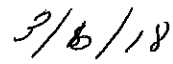
Anticipated Completion Date: June 1, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSSELAER CENTRAL SCHOOLS CORPORATION

CORRECTIVE ACTION PLAN

Mr. Curtis Craig
Superintendent

FINDING 2017-008

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Patti Kem – Director of Special Education Cooperative School Services, Dawn Claussen Treasurer

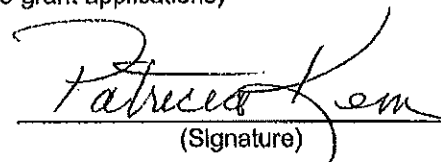
Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

Cooperative School Services and Rensselaer Central Schools Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding the preparation of Maintenance of Effort requirements.

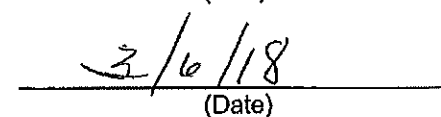
Anticipated Completion Date: September 1, 2018 (for the FY19 grant applications)



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSSELAER CENTRAL SCHOOLS CORPORATION

(Date)

Mr. Curtis Craig
Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-009

Subject: Special Education Cluster (IDEA) – Period of Performance

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Patti Kem – Director of Special Education Cooperative School Services, Dawn Claussen Treasurer

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

Description of Corrective Action Plan:


Rensselaer Central Schools Corporation became the LEA of the Cooperative School Services as of July 1, 2016. West Central was the LEA when FY2016 IDEA Part B 611 and FY 2016 Part B 619 were approved by Indiana Department of Education. On June 30, 2016 FY16 IDEA Part B 611 and FY 2016 Part B 619 Grants were closed out under West Central School Corporation and a new revised budget with remaining balances was submitted for Rensselaer Central Schools Corporation – new LEA July 1, 2016. There were underlying obligations from the prior grants that were paid with the new revised grants, but due to the change in LEA's, this was a one-time occurrence.

Cooperative School Services and Rensselaer Central Schools Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding Period of Performance.

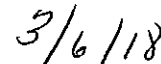
Anticipated Completion Date: N/A



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSSELAER CENTRAL SCHOOLS CORPORATION

CORRECTIVE ACTION PLAN

Mr. Curtis Craig
Superintendent

FINDING 2017-010

Contact Person Responsible for Corrective Action: Curtis Craig, Superintendent, Dawn Claussen
Treasurer, Patti Kem – Director of Special Education Cooperative School Services

Contact Phone Number: 219-866-7822

View of Responsible Official: We concur with the findings

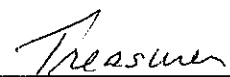
Description of Corrective Action Plan:

Cooperative School Services and Rensselaer Central Schools Corporation are in the process of developing internal controls to ensure compliance requirements to the grant agreements are met regarding Procurement and Suspension and Debarment. The Rensselaer Central Schools Corporation is keeping documents to comply with Procurement requirements.

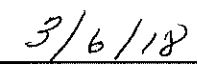
Anticipated Completion Date: May 1, 2018



(Signature)



(Title)



(Date)

900 East Washington Street – Rensselaer, Indiana 47978

Phone 219.866.7822 – Fax 219.866.8360

www.rensselaerschools.org

RENSELAER CENTRAL SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

A similar comment also appeared in prior Report B48449, entitled *OVERDRAWN CASH BALANCES*.

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the following funds with overdrawn cash balances at June 30, 2016 and 2017:

Fund	Amount Overdrawn as of June 30	
	2016	2017
FETC - Indian Trails	\$ 1,443	\$ -
School Trust of Indiana	555	-
Early Childhood Intervention (First Steps)	3,836	26,658
Textbook Rental	-	9,943
Drivers Ed	-	8,468

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 Schools, Chapter 1)

RENSELAER CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 6, 2018, with Dawn D. Claussen, Treasurer; Curtis Craig, Superintendent of Schools; and Charles Parrish, President of the School Board.