

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
EVANSVILLE VANDERBURGH SCHOOL CORPORATION
VANDERBURGH COUNTY, INDIANA
July 1, 2015 to June 30, 2017



FILED
04/11/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Carl D. Underwood	01-01-15 to 12-31-18
Superintendent of Schools	David B. Smith	07-01-15 to 06-30-18
President of the School Board	Mike Duckworth, Sr. Paul Terry Gamblin Andrew C. Guarino Rance Ossenberg	01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE EVANSVILLE VANDERBURGH SCHOOL CORPORATION, VANDERBURGH COUNTY, INDIANA

This report is supplemental to our audit report of the Evansville Vanderburgh 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 Results and Comments 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 Results and Comments contained herein describe the identified reportable instances 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 Results and Comments, incorporated within this report, were not verified for accuracy.

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

March 22, 2018

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

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

Repeat Finding

This is a repeat from the prior audit report. The prior audit finding number was 2015-001.

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). The federal Bookkeeper maintained a spreadsheet of federal awards received, except for the Child Nutrition Cluster and the Child and Adult Care Food Program. The federal Bookkeeper prepared and submitted the SEFA. The Deputy Treasurer reviewed the SEFA; however, the errors identified in the *Context* still occurred. The control in place was determined to be ineffective due to the identified errors.

Context

The SEFA contained the following errors:

1. The Department of Agriculture grants totaling \$9,000,774 for fiscal year 2016 were omitted from the SEFA.
2. The National School Lunch Program reported for fiscal year 2017 was overstated in the amount of \$1,056,971. Additionally, the School Breakfast Program, Summer Food Service Program for Children, and Child and Adult Care Food Program totaling \$1,962,545 were omitted from the SEFA.
3. One state grant with expenditures of \$45,771 was incorrectly included.
4. Six programs had incorrect program names.
5. Two programs were incorrectly reported as part of a cluster.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"Schedule of expenditures of Federal awards. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. 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 Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal 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 must 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. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 related to the preparation of the SEFA to ensure accurate reporting of federal awards.

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 - Activities Allowed or Unallowed, 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 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. Effective controls were not in place to ensure that only applicable employees were paid from program funds.

The School Corporation paid a portion of the salaries for administrative, custodial, and mail delivery personnel from the School Lunch fund without documentation to support the percentage paid from the School Lunch fund.

Context

Throughout fiscal years 2016 and 2017, payroll disbursements for administrative, custodial, and mail delivery employees were allocated to the Child Nutrition Cluster based on estimations of the employees' time spent working on the Child Nutrition programs. There were no records maintained to support the estimated percentage of time paid from the federal programs for any of the employees. The unsupported wages paid to the employees was \$454,622 and \$502,726 for fiscal years 2016 and 2017, respectively.

Criteria

OMB Circular A-133, Subpart C, section .300 states in part:

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"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. . . ."

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. . . ."

OMB Circular A-87, Attachment B, Section 8h(4) states in part:

"Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award, . . ."

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;

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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

Management of the School Corporation had not developed a system of internal control that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

The unsupported salaries of administrative, custodial, and mail delivery personnel paid from the program was \$454,622 and \$502,726 for fiscal years 2016 and 2017, respectively. These amounts were considered questioned costs.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

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 - Suspension and Debarment
Federal Agency: Department of Education
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 2016, FY 2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit report. 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 Procurement and Suspension and Debarment compliance requirement.

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

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 programs.

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

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and 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 or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment requirements listed above.

Views of Responsible Officials

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

FINDING 2017-004

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 Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 15-7995, 16-7995,
17-7995, FY 14/15

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

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The School Corporation removed students from the cohort without obtaining or retaining the required written documentation to support the reason for the students' removal from the cohort.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. Of the twenty-four students tested, two did not have the required supporting documentation to substantiate removing them 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). . . ."

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) 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. . . ."

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and 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 material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Annual Report Card, High School Graduation Rate 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 2017-005

Subject: Twenty-First Century Community Learning Centers - Special Tests
and Provisions - Participation of Private School Children

Federal Agency: Department of Education

Federal Program: Twenty-First Century Community Learning Centers

CFDA Number: 84.287

Federal Award Numbers and Years (or Other Identifying Numbers): A58-5-15DL-0150, A58-5-15DL-2264,
A58-6-16DL-0211, A58-6-16DL-3093,
A58-7-17DL-0006, A58-7-17DL-0045,
A58-7-17DL-0045

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Participation of Private School Children

Audit Findings: Material Weakness, Other Matters

Condition

Management of the School Corporation had not established an effective internal control system over the Special Tests and Provisions - Participation of Private School Children compliance requirement.

The School Corporation had not conducted consultations with all private school officials to determine the educational services to be provided to eligible private school children regarding the Twenty-First Century Community Learning Centers program.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The School Corporation had not conducted consultations with five of the thirty-four private schools.

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). . . ."

20 USC 7881(c)(1) states in part:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials during the design and development of the programs under this chapter, on issues such as—

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services;
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel and the amount of funds available for those services; and
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of contract services through potential third-party providers. . . ."

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Laws and Guidance Elementary and Secondary Education, Section 9501(a)(1) states in part:

". . . Except as otherwise provided in this Act, to the extent consistent with the number of eligible children in areas served by a State educational agency, local educational agency, educational service agency, consortium of those agencies, or another entity receiving financial assistance under a program specified in subsection (b), who are enrolled in private elementary schools and secondary schools in areas served by such agency, consortium, or entity, the agency, consortium or entity shall, after timely and meaningful consultation with appropriate private school officials provide to those children and their teachers or other educational personnel, on an equitable basis, special educational services or other benefits that address their needs under the program. . . ."

(b) APPLICABILITY-

(1) IN GENERAL - This section applies to programs under -

- (A) subparts 1 and 3 of part B of title I;
- (B) part C of title I;
- (C) part A of title II; to the extent provided in paragraph (3);
- (D) part B of title II;
- (E) part D of title II;
- (F) part A of title III;
- (G) part A of title IV; and
- (H) part B of title IV. . . ."

Cause

Management of the School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children 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 develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children requirements listed above.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official:

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation has implemented a new internal control practice in response to the State Board of Accounts finding referenced above. The Federal Bookkeeper will record all receipts and disbursements that will be reconciled to the Form 9. This information will then be used to prepare the Schedule of Federal Awards. This report will be reconciled by the Director of Budget for accuracy.

Anticipated Completion Date: June 30, 2018

FINDING 2017-002

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official:

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation will implement recordkeeping to track the amount of time worked in Food Service.

Anticipated Completion Date: December 31, 2018

FINDING 2017-003

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official:

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation has implemented a new internal control practice in response to the State Board of Accounts finding referenced above. The Federal Bookkeeper will verify that vendors are not suspended or debarred before accepting a bid.

Anticipated Completion Date: June 30, 2018

FINDING 2017-004

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official:

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation will review the procedures already established to ensure proper documentation is secured.

Anticipated Completion Date: December 31, 2018

FINDING 2017-005

Contact Person Responsible for Corrective Action: Courtney Bohleber
Contact Phone Number: 812-435-8409

Views of Responsible Official:

Description of Corrective Action Plan: Evansville Vanderburgh School Corporation will implement a procedure to consult with all non-pub schools, i.e., Lutheran, Catholic and Day Schools. This information will be kept and document with the Twenty-First Century Grants.

Anticipated Completion Date: December 31, 2018

Courtney Bohleber
(Signature)

Director of Budget
(Title)

March 21, 2018
(Date)

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TRANSPORTATION FUND EXPENDITURES - ASSISTANT PRINCIPALS, OTHER ADMINISTRATIVE EMPLOYEES, AND OFF -DUTY POLICE OFFICERS (SECURITY DURING THE SCHOOL DAY)

The School Corporation expended \$871,247 and \$874,813 in fiscal years 2016 and 2017, respectively, from the Transportation fund for part of the salaries of assistant principals, other administrative employees, and off-duty police officers providing security at its high schools. Salaries for these positions are not included in the allowable costs payable from of the Transportation fund per Indiana Code 20-40-6-6.

Indiana Code 20-40-6-6 states:

"(a) The following costs are payable from the fund:

- (1) The salaries paid to bus drivers, transportation supervisors, mechanics and garage employees, clerks, and other transportation related employees.
- (2) ontracted transportation service.
- (3) Wages of independent contractors.
- (4) Contracts with common carriers.
- (5) Student fares.
- (6) Transportation related insurance.
- (7) Other expenses of operating the school corporation's transportation service, including gasoline, lubricants, tires, repairs, contracted repairs, parts, supplies, equipment, and other related expenses.

(b) Percentages or parts of salaries of teaching personnel or principals are not attributable to transportation. However, parts of salaries of instructional aides who are assigned to assist with the school transportation program are attributable to transportation. The costs described in this subsection (other than instructional aide costs) may not be budgeted for payment or paid from the fund.

(c) Costs for a calendar year are those costs attributable to transportation for students during the school year ending in the calendar year."

Sources and uses of funds must be limited to those authorized by the enabling law, ordinance/resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SCHOOL LUNCH FUND SALARIES

The School Corporation paid part of the salaries of school custodians, some administrative positions, and the corporation mail delivery driver from the School Lunch fund. During fiscal years 2016 and 2017, \$454,622 and \$502,726, respectively, was paid from the School Lunch fund for these positions. No detailed records of time spent completing school lunch duties were maintained by any of the employees.

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Many administrative positions have duties and responsibilities that are broad and overlapping and encompass everything that goes on in the school corporation or school building. Therefore, we have consistently been of the audit position that these expenses are normally considered operation expenses properly charged to the general fund in accordance with IC 20-40-2 for the operation of the school corporation and not to the school lunch fund.

Some positions have been formally established by boards of school trustees, through job description, duties assigned, title, salary schedules, etc., as school food related (for example Assistant Principal-Food Service Director). IC 5-11-9-4 requires in part ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ." We will not take audit exception, in these situations (other than positions excluded by statute or for which the Department of Education has expressed concerns), to direct school food related employees having direct school food related expenses being paid from the school lunch fund if a cost allocation system based upon auditable statistics is established tracking costs attributable to the school food program and therefore payable from the school lunch fund. The use of time cards, time logs, or other means of accumulating auditable statistics upon which to base costs would have to be maintained. The time spent on such programs by persons serving in more than one program area must be specific if costs are to be separated. These costs cannot be accurately maintained on a percentage basis and requires the use of one of the methods mentioned above to provide auditable statistics and should cover all program areas in which a person serves or for which the service, materials, supplies, etc., are provided. (The School Bulletin and Uniform Compliance Guidelines, December 2010)

Indiana Code 5-11-9-4(b) states in part:

"The state board of accounts shall require that records be maintained showing which hours are worked each day by officers and employees: . . .

(2) employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

General Form 99A, Employee's Service Record
General Form 99B, Employee's Earnings Record
General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

EVANSVILLE VANDERBURGH SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 22, 2018, with David B. Smith, Superintendent of Schools; Carl D. Underwood, Treasurer; Courtney Bohleber, Deputy Treasurer; Rance Ossenberg, President of the School Board; Andrew C. Guarino, School Board member; and Christopher A. Kiefer, Vice-President of the School Board.