B49902

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TAYLOR COMMUNITY SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2014 to June 30, 2016

FILED
04/18/2018

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Deborah Barton	07-01-14 to 06-30-18
Superintendent of Schools	Christopher Smith	07-01-14 to 06-30-18
President of the School Board	Dennis Marler	07-01-14 to 12-31-18

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TAYLOR COMMUNITY SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Taylor Community School Corporation (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings 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 Finding, 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 Finding, incorporated within this report, was not verified for accuracy.

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

April 2, 2018

TAYLOR COMMUNITY SCHOOL CORPORATION
FEDERAL FINDING

FINDING 2016-001

Subject: Child Nutrition Cluster - Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
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): FY2015, FY2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)
Audit Finding: Material Weakness

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Eligibility, Reporting, and the Special Tests and Provisions - Verification of Free and Reduced Priced Applications (NSLP) compliance requirements.

Eligibility

The School Corporation had not designed or implemented adequate policies and procedures to ensure that free and reduced price meal applications were accurately evaluated for eligibility. The application information was entered into the food service software, which automatically made the eligibility determination dependent on the information entered. There was no oversight or review to ensure that the information entered into the food service software was accurate.

Reporting

The School Corporation had not designed or implemented adequate polices or procedures to ensure that all the required reports were accurately prepared and submitted. The food service director prepared and submitted the monthly Sponsor Claim (claim for reimbursement), the Annual Financial Reports, and the School Food Authority (SFA) Verification Collection Reports without a proper system of oversight or review.

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

The School Corporation had not designed or implemented adequate policies or procedures to ensure the verifications were performed and determinations were made accurately. The Food Service Director performed the verifications of free and reduced priced meal applications without a proper system of oversight or review.

Context

The lack of internal 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

The School Corporation had not developed and implemented a system of internal controls that would have segregated key functions related to the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Priced Applications (NSLP) compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Eligibility, Reporting, and Special Tests and Provisions - Verification of Free and Reduced Priced Applications (NSLP) compliance requirements.

Views of Responsible Officials

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

TAYLOR COMMUNITY SCHOOL CORPORATION

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Paula Bolin
Contact Phone Number: 765-453-3035

Views of Responsible Official: The free and reduced price meal applications were reviewed by the Food Service Secretary, but were not signed by her indicating the she reviewed them.

Description of Corrective Action Plan:

The Food Service Secretary will review the free and reduced price meal applications to determine if the information was entered accurately and that they were accurately evaluated for eligibility. She will then sign off that they were reviewed.

The Food Service Secretary will review the Monthly Sponsor Claim for Reimbursement and the Verification Summary Reports for accuracy and sign off that they were reviewed. The Corporation Treasurer will review the Annual Financial Reports for accuracy and sign off that they were reviewed.

The Food Service Secretary will review verifications of free and reduced price applications for accuracy.

Anticipated Completion Date: Immediate

Paula Bolin
(Signature)

Food Service Director
(Title)

April 2, 2018
(Date)

TAYLOR COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B41969 and B46383.

The financial statement presented in the Financial Statement and Federal Single Audit Report of the School Corporation included the Textbook Rental fund, which was overdrawn $82,767 at June 30, 2015, and $158,624 at June 30, 2016.

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 Indiana Public School Corporations, Chapter 1)

TAYLOR COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2018, with Deborah Barton, Treasurer; Christopher Smith, Superintendent of Schools; and Dennis Marler, President of the School Board.