

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

RICHLAND-BEAN BLOSSOM COMMUNITY
SCHOOL CORPORATION
MONROE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
04/25/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Rose Merrick (Vacant) Debbie Tate	07-01-14 to 03-02-15 03-03-15 to 03-29-15 03-30-15 to 06-30-18
Superintendent of Schools	Dr. Michael Wilcox	07-01-14 to 06-30-18
President of the School Board	Dana Robert Kerr Jimmie Durnil Dana Robert Kerr	07-01-14 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE RICHLAND-BEAN BLOSSOM COMMUNITY
SCHOOL CORPORATION, MONROE COUNTY, INDIANA

This report is supplemental to our audit report of the Richland-Bean Blossom 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 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 28, 2018

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

There were deficiencies in the internal control system of the School Corporation related to Financial Transactions and Reporting.

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts. The Treasurer wrote the receipts, posted receipts to the ledger, completed the deposit tickets, and delivered the deposits to the bank. There was no control in place to ensure receipts were posted to the correct fund or to verify that the correct amount was being deposited in the bank.

Context

The lack of internal controls was a systemic issue, occurring 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. . . ."

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not established a proper system of internal control over Financial Transactions and Reporting.

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to Financial Transactions and Reporting.

Views of Responsible Officials

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

FINDING 2016-002

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

Repeat Finding

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

Condition

The School Corporation did not have an effective system of internal control in place to prevent, or detect and correct, material errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway), which is the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control process in place to ensure its accuracy before submission.

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster expenditures were understated by \$57,906 for fiscal year 2015 and \$107,535 for fiscal year 2016. Commodities were omitted in the amounts of \$57,906 and \$63,629, respectively, for each fiscal year.
2. The Special Education Cluster (IDEA) was overstated by \$479,496 for fiscal year 2015 and \$897,543 for fiscal year 2016.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

3. Special Education Cluster (IDEA) grants, passed-through to subrecipients, were overstated by \$492,406 for fiscal year 2015.
4. The Medical Assistance Program was overstated by \$97,963 for fiscal year 2015 and \$4,379 for fiscal year 2016.
5. Four of seven program titles were incorrectly reported.

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.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § _____.310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

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

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

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 2014-2015, FY 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2014-008.

Condition

Management of 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 had not designed or implemented an effective internal control system to ensure that appropriate certifications or other documentation of personnel expenses for time worked on the School Breakfast and National School Lunch Programs were in compliance with program requirements. Required personnel activity reports or other documentation of personnel expenses for employees who worked on multiple activities or cost objectives during the audit period were not presented for audit.

Context

The lack of controls and noncompliance were systemic issues 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). . . ."

OMB Circular A-87, Attachment B, section 8h states in part:

". . . (3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(4) 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,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity. . . ."

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's management had not developed a system of internal control that would have ensured compliance with 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.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 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 2016-004

Subject: Child Nutrition Cluster - 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

CFDA Numbers: 10.553, 10.555

Federal Award Number and Year (or Other Identifying Number): FY 2015-2016

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

Condition

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. There was no segregation of duties, such as an oversight, review, or approval process for the 2015-2016 school year. One person performed the verification process without any review or oversight.

Context

The lack of controls over the verification process applied only to the 2015-2016 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). . . ."

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed a system of internal controls that segregated key functions.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirement listed above.

Views of Responsible Officials

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

FINDING 2016-005

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability
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): 14-5705, 15-5705, 16-5705
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Comparability
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding numbers were 2014-004 and 2014-007.

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with the grant agreement and the Special Tests and Provisions - Comparability compliance requirement.

The School Corporation did not complete a comparability report for the 2015-2016 school year.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance applied only to the 2015-2016 school year.

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 76.722 states: "A State may require a subgrantee to submit reports in a manner and format that assists the State in complying with the requirements under 34 CFR 76.720 and in carrying out other responsibilities under the program."

The Title I Handbook 2014-2015 from the Indiana Department of Education states in part:

"All LEAs must complete comparability yearly and submit information to the SEA every two years for compliance with the comparability requirement. Also, Title I LEAs must develop procedures for compliance with the comparability requirement and implement those procedures annually. During a federal review it was suggested the SEA divide the LEAs so that only one half of the LEAs submit comparability reports to the SEA on a yearly basis. Thus, LEAs should be completing the report ANNUALLY, but districts actually submit every other year based on whether the corporation number ends in 0 or 5."

The 2016 Comparability of Services - Title I guidance document from Indiana Department of Education states in part:

"All LEAs must complete comparability yearly and submit information to the State Education Agency (SEA) every two years for compliance with the comparability requirement. Also, Title I LEAs must develop procedures for compliance with the comparability requirement and implement those procedures annually. During a federal review it was suggested the SEA divide the LEAs so that only one half of the LEAs submit comparability reports to the SEA on a yearly basis. Therefore, during 2016-2017 only LEAs whose corporation number ends in five (5) must submit reports by October 15, 2016."

RICHLAND-BEAN BLOSSOM COMMUNITY 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 question costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement controls to ensure compliance and comply with the Special Tests and Provisions - Comparability compliance requirement.

Views of Responsible Officials

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

FINDING 2016-006

Subject: Special Education Cluster (IDEA) - Internal Controls

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-065-PN01, 14214-065-PN01,
14215-065-PN01, 14216-063-PN01,
45714-065-PN01, 45715-065-PN01,
99914-065-TA01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management; Matching, Level of Effort, Earmarking;
Reporting; Activities Allowed or Unallowed; Allowable
Costs/Cost Principles; Period of Performance

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Cash Management, Reporting, and Period of Performance. The prior audit finding number was 2014-003.

Condition

The School Corporation was a member of the Forest Hills Special Education Cooperative (Cooperative). The Cooperative operated the Special Education program and managed the special education grant funds. The School Corporation serves as the Local Educational Agency (LEA) for the Cooperative.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management, Matching, Level of Effort, Earmarking, Reporting, Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements.

Cash Management, Earmarking, and Reporting

The School Corporation had not designed or implemented adequate policies or procedures to ensure that required reports were accurately prepared. One employee was solely responsible for preparing and submitting all required reports. There was no segregation of duties, such as an oversight, review, or approval process.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance

The School Corporation had not designed or implemented adequate policies or procedures to ensure that expenditures were properly charged to the applicable federal grants. Adjustments made to Special Education Cluster (IDEA) programs are not reviewed by someone other than the individual making the adjustments. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of effective controls was a systemic issue during fiscal year 2015.

Criteria

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

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."

Cause

The School Corporation's management had not developed a system of internal control 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 listed above.

Questioned Costs

There were no questioned costs identified.

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 2016-007

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): 14213-065-PN01, 14214-065-PN01,
14215-065-PN01, 14216-063-PN01,
99914-065-TA01, 45714-065-PN01,
45715-065-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation had not designed or implemented adequate internal controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

The School Corporation was the LEA of a Special Education Cooperative (Cooperative). The Director of the Cooperative prepared the Level of Effort - Maintenance of Effort (MOE) calculation worksheets, based on information prepared by the School Corporation Treasurer and submitted them on behalf of the School Corporation during the audit period. The documentation to support the amounts reported for state and local expenditures in the MOE calculations was not retained and available for audit. There was no evidence of an oversight, review, or approval process to ensure the documentation for the calculation of MOE was retained or that the calculations made were accurate.

Context

It could not be determined whether the MOE calculations were performed correctly for either year of the audit period due to supporting documentation not being retained and available for audit. There was no evidence of an oversight, review, or approval process for either year.

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. . . ."

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

Cause

The School Corporation's management had not developed a system of internal controls, including segregation of duties, that would have ensured that the documentation to support the MOE calculations was retained and available for audit.

Effect

The failure to establish a system of internal controls that would have ensured that records were retained and available for audit prevented the determination of the School Corporation's compliance with the Matching, Level of Effort, Earmarking requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish a system of internal controls, including segregation of duties, over the Matching, Level of Effort, Earmarking requirements that would have ensured that records were retained and available for audit.

Views of Responsible Officials

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



Richland-Bean Blossom

Community School Corporation

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SUPERINTENDENT

Dr. Mike Wilcox
mwilcox@rbbschools.net

ASSISTANT

SUPERINTENDENT

Dr. Jerry Sanders
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SCHOOL BOARD

Mr. Jimmie D. Durnil
Mr. Dana Robert Kerr
Mr. Larry Thrasher
Mrs. Debra Merry
Mr. Randall C. Wright

VISION

Living, learning and
leading together.

MISSION

Our mission is to work in
cooperation with the
community and families to
provide students with an
education that promotes
responsible citizenship,
develops critical thinking,
communication, collaboration
and creativity.

3/27/18

Corrective Action Plan

FINDING 2016-001

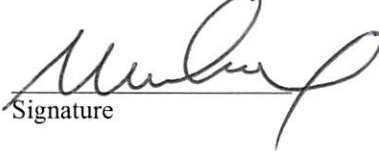
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent
Contact Phone Number: (812) 876-7100

Views of Responsible Official: Richland-Bean Blossom C.S.C. concurs with finding 2016-001.

Description of Corrective Action Plan:

During the 2015-2016 School Year the School Corporation began to establish an Internal Control process for segregation of duties in activities related to receipts, deposits and all financial practices.

Anticipated Completion Date: Implementation of Corrective Action Plan should take full effect as of the 2016-2017 school year.


Signature

Superintendent
Title

3/28/18
Date


Signature

Treasurer
Title

3-28-18
Date



Richland-Bean Blossom

Community School Corporation

600 South Edgewood Drive, Ellettsville, Indiana 47429

• Phone: (812) 876-7100 • Fax: (812) 876-7020 • Web: www.rbbcsk.k12.in.us

SUPERINTENDENT

Dr. Mike Wilcox
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ASSISTANT

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SCHOOL BOARD

Mr. Jimmie D. Durnil
Mr. Dana Robert Kerr
Mr. Larry Thrasher
Mrs. Debra Merry
Mr. Randall C. Wright

VISION

Living, learning and
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3/27/18

Corrective Action Plan

FINDING 2016-002

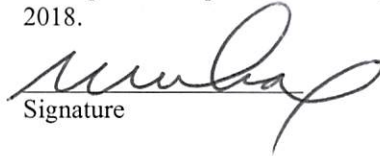
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent
Contact Phone Number: (812) 876-7100

Views of Responsible Official: Richland-Bean Blossom C.S.C. concurs with finding 2016-002.

Description of Corrective Action Plan:

The School Corporation will establish effective internal controls over the federal award information entered into the Indiana Gateway for government units (Gateway), which is a financial reporting system used to compile the School Corporation's SEFA. The Corporation Treasurer will prepare the federal award information entered into Gateway and the Superintendent or another authorized individual will review the information entered prior to submission.

Anticipated Completion Date: Implementation of Corrective Action Plan should take full effect in 2018.


Signature

Superintendent
Title

3/28/18
Date


Signature

Treasurer
Title

3-28-18
Date



Richland-Bean Blossom

Community School Corporation

600 South Edgewood Drive, Ellettsville, Indiana 47429

• Phone: (812) 876-7100 • Fax: (812) 876-7020 • Web: www.rbbcsc.k12.in.us

SUPERINTENDENT

Dr. Mike Wilcox
mwilcox@rbbschools.net

ASSISTANT

SUPERINTENDENT

Dr. Jerry Sanders
jsanders@rbbschools.net

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Corrective Action Plan

FINDING 2016-003

Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent
Contact Phone Number: (812) 876-7100

Views of Responsible Official: Richland-Bean Blossom C.S.C. concurs with finding 2016-003.

Description of Corrective Action Plan:

During the 2016-2017 School Year the School Corporation began the process of implementing policies and procedures in regards to an Internal Control system to ensure that appropriate certifications for time and effort records are in compliance with program requirements. This has also included segregation of duties and semi-annual time and effort certifications that will be completed for employees paid solely from the School Breakfast and National School Lunch Programs.

Anticipated Completion Date: Implementation for Correction Action Plan should take full effect as of the 2016-2017 school year.


Signature

Superintendent
Title

3/28/18
Date


Signature

Treasurer
Title

3/28/18
Date



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Corrective Action Plan

FINDING 2016-004

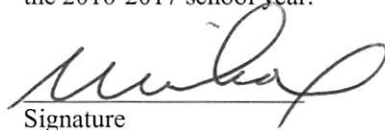
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent
Contact Phone Number: (812) 876-7100

Views of Responsible Official: Richland-Bean Blossom C.S.C. concurs with finding 2016-004.

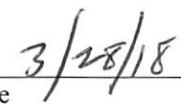
Description of Corrective Action Plan:

During the 2016-2017 school year the School Corporation began the process of implementing an effective Internal Control system, which included segregation of duties, related to the grant agreement and the Special Tests and Provisions-Verification of Free and Reduced Priced Applications (NSLP) compliance requirements.

Anticipated Completion Date: Implementation of Corrective Action Plan should take full effect as of the 2016-2017 school year.

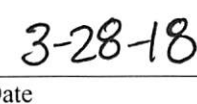

Signature

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Title


Date


Signature

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Title


Date



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Corrective Action Plan

FINDING 2016-005

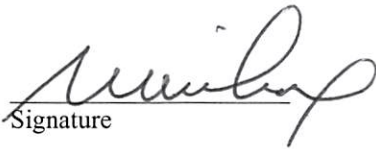
Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent
Contact Phone Number: (812) 876-7100

Views of Responsible Official: Richland-Bean Blossom C.S.C. concurs with finding 2016-005.

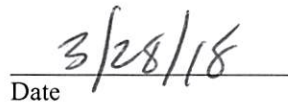
Description of Corrective Action Plan:

The School Corporation is still working to implement an Internal Control system over Title I Grants to Local Education Agencies, which will include Special Test and Provisions - Comparability. The School Corporation will complete a comparability report yearly and submit information to the SEA every two years for compliance with the comparability requirement. During 2016 a position control sheet was established to monitor all positions and accounts associated with those positions. A review process will be set in place to ensure all data is current and correct. The Treasurer and Superintendent or any authorized individuals with a knowledge and understanding of the grants will continue to review and approve all reimbursement requests for all grants.

Anticipated Completion Date: Implementation of Corrective Action Plan should take full effect in 2018.

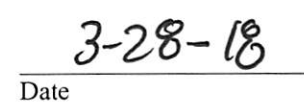

Signature

Superintendent
Title


Date


Signature

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Corrective Action Plan

FINDING 2016-006

Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent
Contact Phone Number: (812) 876-7100

Views of Responsible Official: Richland-Bean Blossom C.S.C. concurs with finding 2016-006.

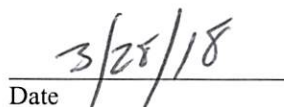
Description of Corrective Action Plan:

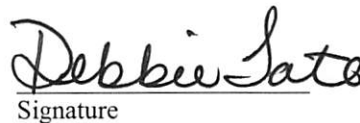
During the 2015 -2016 school year, the School Corporation began the process of implementing an effective Internal Control system, which included segregation of duties, related to grant agreements, Cash Management, Matching, Level of Effort, Earmarking, Reporting, Activities Allowed and Un-allowed, Allowable Costs/Cost Principles, and Period of Performance compliance requirements. The Director of Special Education or any authorized individual will continue to review and approve any adjustments or reimbursement requests. Monthly reports will continue to be sent to the Special Education Director or any authorized individual for a cash flow review.

Anticipated Completion Date: Corrective Action Plan should be fully corrected within the 2016-2017 school year.

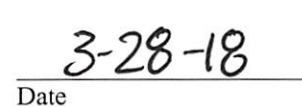

Signature

Superintendent
Title


Date


Signature

Treasurer
Title


Date



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Corrective Action Plan

FINDING 2016-007

Contact Person Responsible for Corrective Action: Dr. Mike Wilcox, Superintendent
Contact Phone Number: (812) 876-7100

Views of Responsible Official: Richland-Bean Blossom C.S.C. concurs with finding 2016-007.

Description of Corrective Action Plan:

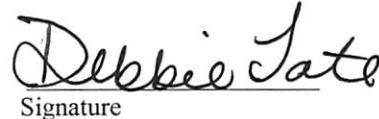
During the 2015-2016 school year the School Corporation began to establish an adequate Internal Controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement. The Special Education Director will work to prepare the MOE report based on the reports provided by the Corporation Treasurer. All documentation will be retained in relation to any calculations reported on the MOE report. A review process will be established to ensure the calculations reported are correct.

Anticipated Completion Date: Implementation of Corrective Action Plan should take full effect in 2018.


Signature

Superintendent
Title

3/28/18
Date


Signature

Treasurer
Title

3-28-18
Date

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B46824, entitled *PREPAID SCHOOL LUNCH ACCOUNTS*.

Receipts from students who prepaid for school meals were receipted directly into the School Lunch fund instead of the Prepaid Food fund (clearing account) established for prepaid food, for the first 15 months of the audit period. In December 2015, the School Corporation established the Prepaid Food fund in its records and attempted to identify the balance of prepaid funds to begin using the established fund as recommended.

The Prepaid Food fund was utilized throughout the remainder of the audit period; however, the transfers from the fund to the School Lunch fund were recorded in the ledger incorrectly as negative receipts. The transfer of funds should have been recorded as disbursements in the Prepaid Food fund.

In addition, the cash balance in the Prepaid Food fund in the Corporation records as of June 30, 2016, did not agree to the detailed report of student account balances maintained by the Food Service Director. The balance in the Prepaid Food fund, as of June 30, 2016, shown on the financial statement was \$97,749, while the detailed report of student account balances, as maintained by the Food Service Director, was \$20,853.

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit, the receipt would be recorded to fund 8400 using receipt account 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Administrator and Uniform Compliance Guidelines, Vol. 211)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Report B46824.

The financial statements presented included the following funds with overdrawn cash balances at June 30, 2015, and June 30, 2016:

<u>Fund</u>	<u>Fiscal Year</u>	<u>Amount Overdrawn</u>
Gen Youth Foundation	2014-2015	\$ 1,165
Metiri Group Grant	2014-2015	5,320
Extra-Curricular Activities	2015-2016	34,336

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)

RICHLAND-BEAN BLOSSOM COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 28, 2018, with Dr. Michael Wilcox, Superintendent of Schools; Jerry Sanders, Assistant Superintendent of Schools; Debbie Tate, Treasurer; and Dana Robert Kerr, President of the School Board.