

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

VALPARAISO COMMUNITY SCHOOLS

PORTER COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
05/15/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2017-001	
Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Program Income	4-8
Finding 2017-002	
School Breakfast Program and National School Lunch Program - Cash Management	8-9
Finding 2017-003	
Child Nutrition Cluster - Equipment, Special Tests and Provisions - Paid Lunch Equity	9-11
Finding 2017-004	
Child Nutrition Cluster - Procurement and Suspension and Debarment	11-14
Finding 2017-005	
Special Education Cluster - Reporting	14-16
Finding 2017-006	
Title I Grants to Local Educational Agencies - Internal Controls	16-18
Corrective Action Plan.....	19-24
Audit Result and Comment:	
Overpayment of Compensation.....	25
Exit Conference.....	26

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/Chief Financial Officer	Sharon Qualkenbush	07-01-15 to 06-30-18
Superintendent of Schools	Dr. E. Ric Frataccia Dr. Julie Lauck (acting)	07-01-15 to 02-28-18 03-01-18 to 06-30-18
President of the School Board	Karl Cender Paul Knauff	07-01-15 to 06-30-17 07-01-17 to 06-30-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE VALPARAISO COMMUNITY SCHOOLS, PORTER COUNTY, INDIANA

This report is supplemental to our audit report of the Valparaiso Community Schools (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 Result and Comment that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Result and Comment as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Result and Comment contained herein describes the identified reportable instance of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings incorporated within this report was not verified for accuracy.

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

April 19, 2018

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2017-001

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed,
Allowable Costs/Cost Principles, Program Income
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2015-2016, SY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable
Costs/Cost Principles, Program Income
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding numbers were 2015-007 and 2015-010.

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, Allowable Costs/Cost Principles, and Program Income compliance requirements.

Program Income Receipts

The School Corporation had not effectively implemented monitoring of internal controls to ensure that food service collections were correctly summarized and recorded in the School Lunch fund. The School Corporation designed and implemented internal controls to document the preparation and review of the program income summary; however, the controls were not evident in 5 out of 40 receipts tested.

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income Disbursements

The School Corporation had not designed or implemented adequate internal controls to ensure that payroll disbursements were only for food service operating costs and that the supporting documentation agreed with the payroll disbursements recorded as food service operating costs. As a result, program income was added to the project budget rather than being deducted from total allowable costs to determine the net allowable costs. There were also no controls to ensure that corrections were made when payroll entry errors were detected by the School Corporation.

Based upon the payroll operating costs tested, the School Corporation incorrectly entered pay rates of three hourly employees, which resulted in \$41 in excess costs recorded as food service operating costs in the School Lunch fund. Furthermore, the School Corporation incorrectly recorded \$3,541 in food service costs not supported by timecards for three employees in three payroll periods tested. The timecards indicated that the costs should have been paid from the General fund.

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

When the sample errors noted above were projected to the population as a whole, additional likely errors of \$45,797 were identified.

Context

The lack of controls and the 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 8(h), states in part:

"Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation. . . ."

(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. . . ."

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

OMB Circular A-87, Attachment A, Part C. Basic Guidelines 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. . . ."

2 CFR 200.403 states in part:

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

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

7 CFR 210.2 states in part: ". . . *Nonprofit school food service* means all food service operations conducted by the school food authority principally for the benefit of schoolchildren, all of the revenue from which is used solely for the operation or improvement of such food services. . . ."

7 CFR 210.14(a) states:

"*Nonprofit school food service*. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, *except that*, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 *et seq.*)."

7 CFR 220.2 states in part: ". . . *Nonprofit school food service* means all food service operations conducted by the School Food Authority principally for the benefit of school children, all of the revenue from which is used solely for the operation or improvement of such food service. . . ."

7 CFR 220.14(i) states:

"Each State agency, or FNS where applicable, shall establish a financial management system under which School Food Authorities shall account for all revenues and expenditures of their nonprofit school food service. The system shall prescribe the allowability of nonprofit school food service expenditures in accordance with this part and 7 CFR part 3015, and 7 CFR part 3016 or 7 CFR part 3019, as applicable. The system shall permit determination of school food service net cash resources, and shall include any criteria for approval of net cash resources in excess of three months average expenditures. In addition, School Food Authorities shall be required to account separately for other food services which are operated by the School Food Authority."

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 225.6(e) states in part:

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

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

2 CFR 200.307(e) states in part:

"Use of program income. If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply. For Federal awards made to IHEs and nonprofit research institutions, if the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award how program income is to be used, paragraph (e)(2) of this section must apply. In specifying alternatives to paragraphs (e)(1) and (2) of this section, the Federal awarding agency may distinguish between income earned by the recipient and income earned by subrecipients and between the sources, kinds, or amounts of income. When the Federal awarding agency authorizes the approaches in paragraphs (e)(2) and (3) of this section, program income in excess of any amounts specified must also be deducted from expenditures.

(1) Deduction. Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project. . . ."

Cause

The School Corporation's management had not designed or implemented internal controls which would have ensured compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements of the programs.

Effect

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

Questioned Costs

Known questioned costs of \$3,582 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Program Income compliance requirements.

VALPARAISO COMMUNITY SCHOOLS
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.

FINDING 2017-002

Subject: School Breakfast Program and National School Lunch Program - Cash Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): SY 2015-2016, SY 2016-2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit. The prior audit finding number was 2015-008.

Condition

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

The School Corporation had not designed or implemented adequate internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures in compliance with Cash Management requirements. There was no oversight, review, or monitoring of the cash balances.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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

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

VALPARAISO COMMUNITY SCHOOLS
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). . . ."

Cause

The School Corporation's management had not designed or implemented an effective internal control system that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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 an effective internal control system to ensure compliance with the Cash Management compliance requirement.

Views of Responsible Officials

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

FINDING 2017-003

Subject: Child Nutrition Cluster - Equipment, Special Tests and Provisions - Paid Lunch Equity

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): SY 2015-2016, SY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Equipment and Real Property Management, Special
Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Special Tests and Provisions - Paid Lunch Equity. The prior audit finding number was 2015-013.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement, the equipment requirements of the Equipment and Real Property Management compliance requirement, and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Equipment

The School Corporation had not designed or implemented adequate internal controls to ensure that equipment purchases were included in the capital asset records or that the equipment was adequately safeguarded. An oversight or review process had not been established.

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

The School Corporation had not designed or implemented adequate internal controls to ensure that paid lunch prices were properly calculated and implemented. There was no oversight, review, or approval of the paid lunch equity calculations prior to submission to the School Board and prior to submission of the paid lunch equity report to the Indiana Department of Education.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Equipment and Real Property Management and Special Tests and Provisions - Paid Lunch Equity 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 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 Equipment and Real Property Management and Special Tests and Provisions - Paid Lunch Equity 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 2017-004

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): SY 2015-2016, SY 2016-2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation had not established internal controls to ensure that the purchasing method used complied with 2 CFR 200.320.

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The School Corporation did not comply with the procurement requirements. They did not obtain quotes when procuring services from vendors when required. Quotes were not obtained for three transactions with two separate vendors tested, which totaled \$13,250.

Suspension and Debarment

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

The School Corporation did not comply with the suspension and debarment requirements. Each fiscal year there were three vendors who had contracts of \$25,000 or more annually. The School Corporation did not have documentation that they verified that vendors were not suspended or debarred for one of the vendors used in the 2015-2016 fiscal year and for two of the vendors used in the 2016-2017 fiscal year.

Context

The lack of internal controls and the 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). . . ."

2 CFR 200.320 states:

"The non-Federal entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publically advertised;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason."

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:

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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

Cause

The School Corporation's management had not designed or implemented effective 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 establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2017-005

Subject: Special Education Cluster - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-048-PN01, 14215-048-PN01,
14216-089-PN01, 14217-048-PN01,
99914-050-TA01, 45716-048-PN01,
45717-048-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Significant Deficiency

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 Reporting compliance requirement. Effective internal controls were not established to ensure the accuracy of two of the three Data Collection Reports: Termination Report and Disciplinary (Expulsion and Suspension) Report.

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

The Special Education Cooperative prepared the Termination Report and provided the report to the School Corporation for review; however, documentation of a review, which would include comparison of the information used to the prepare the Termination Report, was not provided. The Disciplinary (Expulsion and Suspension) Report was prepared and submitted by the School Corporation, without a documented control to ensure its accuracy prior to submission.

Context

The lack of an effective internal control system related to the Reporting compliance requirement was isolated to the two Data Collection Reports.

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's management had not established a proper internal control structure to ensure compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Reporting compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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.

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the Reporting compliance requirement.

Views of Responsible Officials

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

FINDING 2017-006

Subject: Title I Grants to Local Educational Agencies - Internal Controls

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): 15-6560, 16-6560, S010A150014

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility; Procurement and Suspension and Debarment; Special Tests and Provisions - Annual Report Card, High School Graduation Rate; Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediate prior audit regarding Eligibility and Special Tests and Provisions - Annual Report Card, High School Graduation Rate. The prior audit finding numbers were 2015-003 and 2015-006.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Eligibility; suspension and debarment requirements of Procurement and Suspension and Debarment; Special Tests and Provisions - Annual Report Card, High School Graduation Rate; and Special Tests and Provisions - Assessment System Security.

Eligibility - Group or Area

The School Corporation had not designed or implemented adequate policies or procedures to ensure that the enrollment and poverty data for both public and nonpublic schools reported in the grant applications were accurate. There was not a documented control to ensure that the enrollment and poverty data was reviewed.

Eligibility - Individuals

The School Corporation had not designed or implemented proper internal controls to ensure that all students eligible for Title I services were accounted for on the "Selection List" completed at Central Elementary School and submitted to the Title I Director. Furthermore, there was not a documented control to indicate that the list was reviewed by the Title I Director.

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Suspension and Debarment

The School Corporation had not established adequate internal controls to ensure that the contracted vendors had not been suspended or debarred from participation in federal programs.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation had not established internal controls to ensure that written documentation was retained which supported the student's removal from the high school cohort graduation rate for mobility reasons.

Special Tests and Provisions - Assessment System Security

The School Corporation had not designed or implemented proper internal controls to ensure that all individuals that came in contact with any tests that were administered under the Indiana Assessment System in the School Corporation had signed the Indiana Testing Security and Integrity Agreement. There was not a documented control to ensure that all individuals on the list had a signed agreement.

Context

The lack of controls was a systemic issue throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

VALPARAISO COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish a proper internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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 program.

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; Procurement and Suspension and Debarment; Special Tests and Provisions - Annual Report Card, High School Graduation Rate; and Special Tests and Provisions - Assessment System Security compliance requirements.

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 ACTIVITIES ALLOWED/ALLOWABLE COSTS

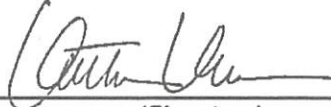
Contact Person Responsible for Corrective Action: Kathleen Kane, Director of School Nutrition
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

As an internal control, the Bookkeeper will prepare and sign the daily program income transmittals. The Director or designee will review for accuracy and sign. The business office will return to the food service office any transmittals without proper signatures. Only properly signed transmittals will be received.

In order to provide an internal control system for the reporting of payroll, time sheets for employees charged to the 0800 fund which were not originally processed by the food service office will be provided to the Food Service Director with a payroll report for review and approval. Discrepancies will be reported to the Chief Financial Officer.

Anticipated Completion Date: August 1, 2018



(Signature)

FSD

(Title)

4-18-18

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-002 CASH MANAGEMENT

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of School Nutrition
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

The Food Service Director will prepare the Annual Financial Report and submit to the Chief Financial Officer for review, approval and signature. If the cash balance is in excess of three (3) months operating expenses, the Food Service Director will write a plan to reduce the balance. The Annual Financial Report and written plan, if any, will be submitted to the state agency.

Anticipated Completion Date: September 1, 2018

(Signature)

FSD

(Title)

4-18-18

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-003 EQUIPMENT, SPECIAL TESTS AND PROVISIONS

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of School Nutrition
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

The Food Service Bookkeeper will prepare and maintain a file to include all calculations performed to establish prices in compliance with the paid lunch equity requirement. The calculations will be reviewed for accuracy and approved by the Food Service Director. This file will also contain a copy of the paid lunch pricing recommendation to and approval by the Board of Education.

The business office will prepare and send the capital asset report to the Food Service Director annually to review all food service equipment listed. The Food Service Director will update the report with additions or deletions and sign.

Anticipated Completion Date: September 1, 2018

(Signature)

FSD

(Title)

4-18-18

(Date)



CORRECTIVE ACTION PLAN

FINDING 2017-004 PROCUREMENT AND SUSPENSION AND DEBARMENT

Contact Person Responsible for Corrective Action: Kathleen Kane, Director of School Nutrition
Contact Phone Number: 219-531-3050

Description of Corrective Action Plan:

All purchases over \$3,500 but less than \$150,000 will be procured through the small purchase procedure requiring quotes. A file will be maintained for all informal procurement with a quote analysis report prepared by the Office Clerk or designee and reviewed and approved by the Food Service Director.

The Office Clerk will check vendors with contracts of \$25,000 or more annually to ensure they have not been excluded or disqualified by checking the SAM exclusions or by receiving a signed certification form from the vendor. The Office Clerk will prepare a report of all suspension and certifications obtained that the Food Service Director will review, sign and file.

Anticipated Completion Date: September 1, 2018

A handwritten signature in black ink, appearing to read "Kathleen Kane", written over a horizontal line.

(Signature)

FSD

(Title)

4-18-18

(Date)

VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building
3801 North Campbell Street
Valparaiso, Indiana 46385

Telephone: (219) 531-3000
FAX: (219) 531-3009

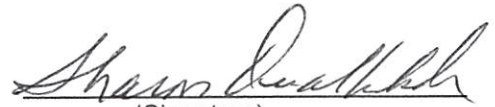
FINDING 2017-005 SPECIAL EDUCATION CLUSTER REPORTING

Contact Person Responsible for Corrective Action: Eric Hadley, IT Data Manager
Contact Phone Number: 219-531-3000

Description of Corrective Action Plan:

As an internal control, the data manager will compare source documents with reports prior to submission. All documentation along with the completed report will be given to the Assistant Superintendent for Technology and Curriculum for review prior to submitting the official report.

Anticipated Completion Date: July 1, 2018



(Signature)

CFO
(Title)

April 18, 2018
(Date)

VALPARAISO COMMUNITY SCHOOLS



Office of the Superintendent

Administration Building
3801 North Campbell Street
Valparaiso, Indiana 46385

Telephone: (219) 531-3000
FAX: (219) 531-3009

CORRECTIVE ACTION PLAN

FINDING 2017-006 (Auditor Assigned Reference Number)

Contact Person Responsible for Corrective Action: Calli Dado, Director of Title I

Contact Phone Number: (219) 531-3030

Description of Corrective Action Plan:

Eligibility - Group/Area

Title I Director will review, verify and sign off on the grant's Eligible Schools Summary page indicating that enrollment and poverty data is correct.

Eligibility - Individual

Title I Director will review and sign off on targeted assistance schools' student selection documents.

Suspension and Debarment

As an internal control, vendor contracts will include a provision stating the vendor has not been suspended or debarred from participation in federal programs. As an extra measure, a signed certification will be required from all new vendors stating they have not been suspended or debarred from participation in federal programs.

Special Tests and Provisions - Annual Report Card, HS Grad Rate

The Title I Director and Finance Department will review the Department of Education's non-regulatory guidance in reference to the high school graduation rate. A new transfer out form will be created to ensure the proper written documentation is on file for the various transfer out reasons. As an internal control, a high school administrator will review the documentation verifying it is complete and sign the transfer out form.

Special Tests and Provisions - Assessment System Security

Building principals will maintain a control chart of all staff members that have completed and signed off on the IDOE Testing Security and Integrity agreements as well as the signed agreements themselves. Control charts and signed documents will be sent to the administrative building at the end of each year. The Assistant Superintendent will review and sign off indicating the control charts accuracy. Documents will be maintained on file for (3) years.


(Signature)

Director of Title I

(Title)

04/18/18

(Date)

VALPARAISO COMMUNITY SCHOOLS
AUDIT RESULT AND COMMENT

OVERPAYMENT OF COMPENSATION

An employee (Certified Teacher) of the School Corporation continued to receive payments for performing duties as a Club Sponsor (an extracurricular activity) from September 16, 2016 through January 20, 2017, even though the employee had resigned from the position effective May 27, 2016. The employee agreed to repay the School Corporation \$410.85 in two installments, which were deducted from the payrolls dated March 16, 2018, and March 30, 2018, respectively.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

VALPARAISO COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2018, with Dr. Julie Lauck, acting Superintendent of Schools; Sharon Qualkenbush, Treasurer/Chief Financial Officer; Gabby Perryman, Deputy Treasurer; Dr. Jim McCall, Assistant Superintendent of Schools; and Paul Knauff, President of the School Board.