

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LOGANSPORT COMMUNITY SCHOOL CORPORATION

CASS COUNTY, INDIANA

July 1, 2015 to June 30, 2017



**FILED**  
06/07/2018



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2017-001	
Child Nutrition Cluster - Equipment and Real Property Management .....	4-5
Finding 2017-002	
Special Education Cluster (IDEA) - Procurement and Suspension and Debarment .....	6-8
Finding 2017-003	
Title I Grants to Local Educational Agencies - Reporting .....	8-9
Corrective Action Plan.....	10
Audit Results and Comments:	
Adoption of Internal Control Standards and Training .....	11
Overdrawn Cash Balances.....	11
Official Response .....	12
Exit Conference.....	13

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Gregory E. Korreckt	07-01-15 to 6-30-18
Superintendent of Schools	Michele Starkey	07-01-15 to 6-30-18
President of the School Board	Michael J. McCord Scott B. Kraud	07-01-15 to 6-30-16 07-01-16 to 6-30-18



**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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE LOGANSPORT COMMUNITY  
SCHOOL CORPORATION, CASS COUNTY, INDIANA

This report is supplemental to our audit report of the Logansport Community School Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. It has been provided as a separate report so that the reader may easily identify any Federal Findings and Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://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

May 10, 2018

LOGANSPOUT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2017-001***

Subject: Child Nutrition Cluster - Equipment and Real Property Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
Audit Findings: Material Weakness, Other Matters

*Condition*

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

The School Corporation did not have an effective internal control system in place to ensure that a physical inventory of assets purchased with food service program funds was taken every two years.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period. The School Corporation did not perform a physical inventory of assets during the audit period.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 3016.32(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements: . . ."

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated. . . ."

2 CFR 200.313(d) states in part:

*"Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements: . . .

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the equipment requirements of the Equipment and Real Property Management 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.

*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 Equipment and Real Property 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.

LOGANSPOUR COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2017-002***

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment  
Federal Agency: Department of Education  
Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants  
CFDA Numbers: 84.027, 84.173  
Federal Award Numbers and Years (or Other Identifying Numbers): 14214-037-PN01, 14215-037-PN01  
14216-035-PN01, 14217-035-PN01  
99914-0037-PN01-TA01  
45714-037-PN01, 45715-037-PN01  
45716-035-PN01, 45717-035-PN01

Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Qualified 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 effective controls to ensure that its procurement policies were followed.

The School Corporation failed to comply with the procurement requirement that small purchases must be in compliance with its procurement procedures and state laws and procedures. Small purchase procedures which require that price or rate quotations be obtained from an adequate number of qualified sources were not followed. There were no quotes obtained for the noncontracted purchases during the audit period. Contracted procurement was not conducted in a manner that encouraged full and open competition.

*Suspension and Debarment*

The School Corporation had not established effective controls to ensure that vendors were not suspended or debarred or otherwise excluded from participation in federal assistance programs.

The School Corporation did not perform any procedures to ensure that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

*Context*

These were systemic issues throughout the audit period. There were no quotes obtained for any vendors during the audit period. No verification procedures were performed for any of the contracted vendors paid from the grants.

LOGANSPOrt COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.320(b) states:

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified.

You do this by:

- (a) Checking 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."

*Logansport Community Schools Policy 6325 - PROCUREMENT - FEDERAL GRANTS/FUNDS*

Competition

"All procurement transactions shall be conducted in a manner that encourages full and open competition and is in accordance with good administrative practice and sound business judgment. . . ."

Procurement Methods

"The Corporation shall utilize the following methods of procurement:

A. Sealed Bids

Sealed, competitive bids shall be obtained when the purchase of, and contract for, single items of supplies, materials, or equipment amounts to \$150,000 and when the Board determines to build, repair, enlarge, improve, or demolish a school building/facility the cost of which will exceed the amount allowed by Indiana statute."

LOGANSPOrt COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Procurement and Suspension and Debarment compliance requirement.

*Views of Responsible Officials*

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

***FINDING 2017-003***

Subject: Title I Grants to Local Educational Agencies - Reporting  
Federal Agency: Department of Education  
Federal Program: Title I Grants to Local Education Agencies  
CFDA Number: 84.010  
Federal Award Numbers and Years (or Other Identifying Numbers): 15-0875, 16-0875, 17-0875  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Finding: Material Weakness

*Condition*

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement.

There was no control procedure in place to ensure the accuracy of the Final Expenditure Report prior to submission. One person prepared and submitted the report without an oversight, review, or approval process.

*Context*

This was a systemic issue throughout the audit period. There were no controls to ensure the accuracy of the two Final Expenditure Reports submitted during the audit period.

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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). . . ."

*Cause*

Management had not developed a system of internal controls to ensure compliance with the grant agreement and 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 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 program.

*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 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.



# LOGANSPORT

COMMUNITY SCHOOL CORPORATION

## BOARD OF SCHOOL TRUSTEES

- Scott B. Kraud  
*President*
- Bill J. Cuppy  
*Vice-President*
- Milton G. Hess  
*Secretary*
- David M. McClure  
*Member*
- Michael J. McCord  
*Member*

## ADMINISTRATION

- Michele M. Starkey  
*Superintendent*
- Gregory E. Korreckt  
*Controller/Treasurer*
- Tim Moss  
*Transportation Director*
- Cyle Dibble  
*Technology Director*

## MEMBER SCHOOLS

- Columbia Elementary School  
*20 East Columbia Street*
- Fairview Elementary School  
*846 S. Cicott Street*
- Franklin Elementary School  
*410 W. Miami Avenue*
- Landis Elementary School  
*One Landis Lane*
- Columbia 6<sup>th</sup> Grade Academy  
*1300 N. Third Street*
- Logansport Junior High School  
*2901 Usher Street*
- Logansport High School  
*One Berry Lane*
- Century Career Center  
*2500 Hopper Street*

## Website

[www.lcsc.k12.in.us](http://www.lcsc.k12.in.us)

Home of the Berries



2829 GEORGE STREET ♦ LOGANSPORT, INDIANA 46947 ♦ VOICE 574.722.2911 ♦ FAX 574.722.7634

### Corrective Action Plan

Contact Person Responsible for Corrective Action: Gregory E. Korreckt, Business Manager/Controller

Contact Phone Number: 574-722-2911

### Finding 2017-001

Physical Inventory of Assets purchased with food service programs – a Fixed Asset inventory is maintained by the school corporation and updated as purchases and removal of equipment occurs. Physical inventory checks have occurred previously. Per the guideline in the March 12, 2018, adopted Internal Controls Manual for LCSC, a physical inventory will take place in the Corporation a minimum of each two years.

### Finding 2017-002

IDEA Procurement policies – The Special Education Director and Business Manager/Controller are working together to ensure compliance with Procurement, Suspension and Debarment. Guidelines in the March 12, 2018, adopted Internal Controls Manual for LCSC will be followed in this process.

### Finding 2017-003

Title I Final Expenditure Report – the Grant Director or Business Manager will review and sign off submissions by the Finance Supervisor, per the guidelines of the adopted Internal Controls Manual for LCSC. This procedure was followed for the 2016-2017 Title I grant period.

### Completion Information:

Corrective Action as noted above for:

Finding 2017-001 has been addressed with the Internal Controls Manual adopted on March 12, 2018, and will be strictly followed.

Finding 2017-002 has been addressed with the Internal Controls Manual adopted on March 12, 2018, and will be strictly followed.

Finding 2017-003 was implemented effective July 1, 2017.

(Signature)

Business Manager/Controller

May 10, 2018

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

**ADOPTION OF INTERNAL CONTROL STANDARDS AND TRAINING**

The School Corporation failed to adopt minimum internal control standards and procedures by June 30, 2016, as required. They also did not provide the required training relevant to the internal controls in a timely manner.

Indiana 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B46697.

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

Fund	Amount Overdrawn	
	06-30-16	06-30-17
Debt Service	\$ -	\$ 356,565
Retirement/Severance Bond Debt Service	159,788	-
Capital Projects	645,749	295,129
School Bus Replacement	64,917	48,218
McHale Construction 2013	181,724	181,724
McHale Construction 2014	465,447	531,148
Textbook Rental	-	234,001
LAJSSC 2014-2	551,607	551,607
LAJSSC 2015	85,046	-
LAJSSC 2016	80,033	96,263
Century Career Center 2014	154,855	153,296
Century Career Center 2016	19,882	35,297
McHale Performing Arts Center	187,059	249,967

Funds with overdrawn cash balances as a result of grant expenditures awaiting reimbursement were not included in the list above.

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)



# LOGANSPORT

COMMUNITY SCHOOL CORPORATION

2829 GEORGE STREET ♦ LOGANSPORT, INDIANA 46947 ♦ VOICE 574.722.2911 ♦ FAX 574.722.7634

## BOARD OF SCHOOL TRUSTEES

- Scott B. Kraud  
*President*
- Bill J. Cuppy  
*Vice-President*
- Milton G. Hess  
*Secretary*
- David M. McClure  
*Member*
- Michael J. McCord  
*Member*

## ADMINISTRATION

- Michele M. Starkey  
*Superintendent*
- Gregory E. Korreckt  
*Controller/Treasurer*
- Tim Moss  
*Transportation Director*
- Cyle Dibble  
*Technology Director*

## MEMBER SCHOOLS

- Columbia Elementary School  
*20 East Columbia Street*
- Fairview Elementary School  
*846 S. Cicott Street*
- Franklin Elementary School  
*410 W. Miami Avenue*
- Landis Elementary School  
*One Landis Lane*
- Columbia 6<sup>th</sup> Grade Academy  
*1300 N. Third Street*
- Logansport Junior High School  
*2901 Usher Street*
- Logansport High School  
*One Berry Lane*
- Century Career Center  
*2500 Hopper Street*

**Website**  
[www.lcsc.k12.in.us](http://www.lcsc.k12.in.us)

Home of the Berries



### Response to Audit Results and Comments:

Contact Person Responsible for Corrective Action:

Gregory E. Korreckt, Business Manager/Controller

Contact Phone Number: 574-722-2911

### Adoption of Internal Control Standards and Training

LCSC has followed the SBOA Internal Controls procedures for many years prior to the mandated guidelines. Staff time constraints prevented actual documentation of LCSC practices. The Internal Controls Manual has been adopted by the School Board as of their March 12, 2018, meeting and online training has been implemented. A copy of the Internal Controls Manual has been added to information on the LCSC Corporation website.

### Overdrawn Cash Balances

LCSC, like most all school corporation, receives funding for most grants on a reimbursement basis. Grant balances are consistently in arrears because of this, creating negative balances each month in the fund. Taxable funds are subject to circuit breaker and because LCSC's tax base is largely supported by local taxpayers the result is significant reductions in property taxes each year in addition to uncollected taxes. LCSC is consciously working to maintain positive balances in our taxable funds as evidenced by the following:

	Ending Balance		
	6/30/2016	6/30/2017	12/31/2017
Debt	\$746,800.81	(\$356,563.66)	(\$292,558.90)
Pension	(\$159,789.20)	\$0.00	\$35,349.19
Capital Projects	(\$645,746.34)	(\$295,129.17)	\$2,142.38
Transportation	\$502,019.06	\$582,015.16	\$13,448.13
Bus Replacement	(\$64,915.81)	(\$48,217.44)	\$37,631.89

In addition, two funds (702 and 703) were Construction Funds for our McHale Performing Arts Center. These two funds had negative balances totaling \$647,170.76 as of 6/30/16 and \$712,871.39 as of 6/30/17. The funds are provided through a Trust and reimbursed at the conclusion of the projects. As of March 31, 2018, those funds have \$0.00 balance. LCSC will continue it's efforts to see all funds with positive balances.

(Signature)

Business Manager/Controller

May 10, 2018

LOGANSPORT COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 10, 2018, with Gregory E. Korreckt, Treasurer; Teresa Popejoy, Finance Supervisor; Michele Starkey, Superintendent of Schools; Scott B. Kraud, President of the School Board; Bill Cuppy, School Board member; Kelley Lease, Director of Food Services; Susan Swartz, Title I Administrator; and Sharon K. Pelley, Special Education Director.