

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SWITZERLAND COUNTY SCHOOL CORPORATION

SWITZERLAND COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
06/08/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Wilma Rosenberger	07-01-14 to 06-30-18
Superintendent of Schools	Michael L. Jones	07-01-12 to 06-30-18
President of the School Board	Andy Truitt Wayne Daugherty Nancy Peters Kathryn M. Collier	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16 01-01-17 to 12-31-18



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SWITZERLAND COUNTY SCHOOL
CORPORATION, SWITZERLAND COUNTY, INDIANA

This report is supplemental to our audit report of the Switzerland County 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 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.

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

May 3, 2018

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Internal Controls over Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

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

Condition

The School Corporation had not separated incompatible activities related to receipts. The receipt clerk prepared the receipt from the source documentation and posted the receipt to the accounting records. Reports were run after the postings were made to the accounting records, but there was no evidence of an oversight or review process.

Context

The lack of adequate internal controls was a systemic issue throughout most of the audit period. The School Corporation implemented controls over receipts in January 2016.

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. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control.

Effect

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

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation establish a system of internal controls 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 immediately prior audit. The prior audit finding number was 2014-002.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The School Corporation was unable to present evidence for audit that anyone other than the Treasurer reviewed or approved the grant information presented on the SEFA.

Context

The SEFA contained the following errors:

1. Expenditures for programs in the Child Nutrition Cluster were understated by \$579,787 and \$500,409 for the period ending June 30, 2015 and 2016, respectively.
2. Expenditures for the Title I Grants to Local Educational Agencies were understated by \$61,720 and \$379,063 for the period ending June 30, 2015 and 2016, respectively.
3. Expenditures for programs in the Special Education Cluster (IDEA) were not reported, resulting in an understatement of expenditures of \$410,165 and \$433,054 for the period ending June 30, 2015 and 2016, respectively.

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:

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"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.
- (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.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

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: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Schoolwide Programs

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): 14-7775, 15-7775, 16-7775

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-005.

Condition

Management of the School Corporation did not have an effective internal control system in place to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement. Documentation was not presented for audit to verify that the schools operating a schoolwide program included the following required core elements:

1. Comprehensive needs assessment
2. Comprehensive plan
3. Annual evaluation of the schoolwide program

The most recent schoolwide plan presented for audit was for 2011-2012.

Context

The lack of internal controls and noncompliance applied to the 2014-2015 and 2015-2016 school years.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

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

"The auditee shall: . . .(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. . . ."
2 CFR 200.303 states in part:

"The non-Federal entity must:

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

34 CFR 200.26 states:

"(a) *Comprehensive needs assessment.*

(1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that—

(i) Is based on academic achievement information about all students in the school, including all groups under § 200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under § 200.1 to—

(A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and

(B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and

(ii) Assesses the needs of the school relative to each of the components of the schoolwide program under § 200.28.

(2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.

(3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.

(b) *Comprehensive plan.* Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with § 200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(c) *Evaluation.* A school operating a schoolwide program must—

- (1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;
- (2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and
- (3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program."

Cause

Management had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement that have a direct and material effect to the program could result 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, including segregation of duties, related to the grant agreement and Special Tests and Provisions - Schoolwide Program 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: Title I Grants to Local Educational Agencies - Allowable Costs/Cost Principles

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): 14-7775, 15-7775, 16-7775

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

Management of the School Corporation did not have an effective internal control system in place to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation failed to keep the necessary documentation relating to time and effort for teachers and paraprofessionals. 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 completed or presented for audit. Semi-Annual Certifications or other documentation of personnel expenses for employees whose salaries were paid 100 percent out of the grant funds were not completed or presented for audit.

Context

The lack of controls and the noncompliance were systemic issues, which occurred 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.

(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:

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Title I Fiscal Handbook 2015-2016, Basic Title I, Part A and D states in part:

- **School wide programs:**

"If a school-wide program consolidates funds in a single account, an employee paid with funds from the single account is not required to file a semi-annual certification. If a school-wide program does not consolidate funds, employees working solely on a single Federal program must complete semi-annual certifications. . . ."

Cause

Management of the School Corporation had not developed an effective internal control system that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish internal controls 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.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2016-005

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): 14-7775, 15-7775, 16-7775

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management; Period of Performance, Reporting, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, Special Tests and Provisions - Annual Report Card, High School Graduation Rate

Audit Finding: Material Weakness

Repeat Finding

The following components of this finding are repeat findings from the immediately prior audit: Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals and Special Tests and Provisions - Annual Report Card, High School Graduation Rate. The prior audit finding number was 2014-005.

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 following compliance requirements: Cash Management, Period of Performance, Reporting, Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

Cash Management

The Treasurer prepared the Reimbursement Request reports and checks to ensure the amounts being requested were for funds that were expended prior to the date of the reimbursement request. There was no evidence presented of an oversight, review, or approval process.

Period of Performance

The Treasurer prepared the Reimbursement Request reports and checked to ensure the amounts being requested were for expenditures incurred within the period of performance. There was no evidence presented of an oversight, review, or approval process.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Reporting

The Treasurer prepared the Reimbursement Request reports, Annual Financial Reports, and State Per Pupil Expenditure reports. There was no evidence presented of an oversight, review, or approval process.

Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals

The School Corporation had not designed or implemented adequate policies or procedures to ensure compliance with the Special Tests and Provisions - Highly Qualified Teachers and Paraprofessionals compliance requirement.

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

The High School Guidance Counselor obtained documentation to support a student's removal from the cohort. There was no oversight or review process in place to ensure compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

Content

The lack of properly designed and implemented controls was a systemic problem, which occurred 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

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

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

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 2016-006

Subject: Child Nutrition Cluster - Internal Controls

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 14-15, FY 15-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting, Program Income, Eligibility, Special
Tests and Provisions - Verification of Free and Reduced Price
Applications (NSLP), Special Tests and Provisions - Paid
Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2014-003 and 2014-004.

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 following compliance requirements:

Cash Management

The School Corporation had not established an effective internal control system related to the grant agreement and the Cash Management compliance requirement. The Food Service Director monitored the net cash resources of the School Lunch fund to ensure that the amount did not exceed three months average expenditures. There was no evidence of an oversight or review by someone other than the Food Service Director.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the Annual Financial Reports, Verification Summary Reports, and Monthly Sponsor Claims (claims for reimbursement) were accurate prior to submission. The Food Service Director prepared and submitted the reports. There was no segregation of duties, such as an oversight, review, or approval process.

Eligibility

The School Corporation had not established an effective control to ensure that the eligibility determinations for free and reduced price meals were accurate. The Food Service Director processed the applications for free and reduced price meals, which included determining eligibility, without oversight or review.

Program Income

Cafeteria collections for school lunch accounts were remitted monthly to the School Corporation by the ExtraCurricular Account Treasurer. There was no control in place to ensure the amount remitted was accurate and in agreement with the ExtraCurricular Account records.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) - (School Breakfast Program and National School Lunch Program only)

The School Corporation had not established an effective control to ensure the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) report was complete and accurate prior to submission. The Food Service Director processed the verification for all selected applications without oversight or review.

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

The annual calculation for paid lunch equity was prepared by the Food Service Director. There was no oversight or review to ensure the calculation was accurate.

Context

The lack of properly designed and implemented controls for Reporting (Annual Financial Reports and Verification Summary Reports), Eligibility, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) was a systemic problem, which occurred throughout the audit period.

The School Corporation implemented controls for Cash Management in May 2016.

The School Corporation implemented controls for Reporting over the Monthly Sponsor Claims (claims for reimbursement) beginning with the January 2016 reimbursement.

The School Corporation implemented controls for Special Tests and Provisions - Paid Lunch Equity in May of 2016 for the 2016-2017 school year.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

Management 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 requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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.

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-007

Subject: Child Nutrition Cluster - 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): FY 14-15, FY 15-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
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 suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. There were no controls to ensure vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not comply with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement. They did not complete any of the possible actions to ensure that contractors procured were not suspended or debarred.

Context

This was a systemic problem. The School Corporation lacked controls over and failed to comply with the suspension and debarment requirements 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). . . ."

SWITZERLAND COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

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

You do this by:

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

Cause

Management had not developed a system of internal controls over the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish effective internal controls enabled material noncompliance to go undetected, which 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 and ensure compliance related to the grant agreement and the suspension and debarment requirements of 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.

Switzerland County School Corporation

Switzerland Co. High School
1020 W. Main Street
Vevay, Indiana 47043

Office of Superintendent
1040 W. Main Street

Jefferson - Craig Elementary School
1002 W. Main Street
Vevay, Indiana 47043

Switzerland Co. Middle School
1004 W. Main Street
Vevay, Indiana 47043

Vevay, Indiana 47043
(812) 427-2611 / 2612
Fax (812) 427-2044

Switzerland Co. Elementary School
P.O. Box 87
East Enterprise, Indiana 47019

CORRECTIVE ACTION PLAN 6-2016

FINDING 2016-001

We concur with this finding.

Contact Person Responsible for Corrective Action: Wilma Rosenberger, Business Manager

Contact Phone Number: 812-427-2673

Description of Corrective Action Plan:

Lack of Segregation of Duties: Control activities will be developed at various levels of Switzerland County School Corporation to reduce the risks to achievement of financial reporting objectives. All receipts will be signed by the Treasurer. Receipts will be keyed into the financial accounting system by the Business Office Assistant who will balance the edit to the receipts and sign it. For all manual deposits, a tape showing the total of the receipts will be signed. A similar tape of the deposit ticket total with all cash itemized will be signed by the depositor who will be a different person.

SCSC will strive to maintain controls over receipting, disbursing, recording and accounting for financial activities in order to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

This process is in place as of January 1, 2016.

FINDING 2016--002

We concur with this finding.

Contact Person Responsible for Corrective Action: Wilma Rosenberger, Business Manager

Contact Phone Number: 812-427-2673

Description of Corrective Action Plan:

Lack of Segregation of Duties: Switzerland County School Corporation will separate incompatible activities related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). When SEFA is recorded and uploaded into Gateway, the reporter will print and sign the report. In addition, either the Grant Writer or the Superintendent will also review and sign the printed report.

SCSC will continue to improve internal controls to provide reasonable assurance regarding the reliability of financial records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

Switzerland County School Corporation is committed to equal opportunity and does not discriminate on the basis of age, race, color, sex, handicapping conditions, or national origin including limited English proficiency, in any employment opportunity. No person is excluded from participation in, denied the benefits of, or otherwise subjected to unlawful discrimination on such basis under any educational program or student activity.

A Commitment To Excellence

www.switzerland.k12.in.us

Anticipated Completion Date: August 31, 2018

Finding 2016-003

We concur with this finding.

Contact Person Responsible for Corrective Action Plan: Fred Ross, Title I Director

Contact Phone: 812-427-2611

Description of Corrective Action Plan:

The Title I Director will continue to be responsible for revisions to the school wide plan and its submission to the State. It will include Comprehensive needs assessment, Comprehensive plan and Annual evaluation of the schoolwide program. Revisions will be documented and signed by the Title I Director, then reviewed and signed by either the Superintendent or each Building Principal. This has been implemented for the 2017-18 school year.

FINDING 2016-004

We concur with this finding.

Contact Person Responsible for Corrective Action Plan: Fred Ross, Title I Director

Contact Phone: 812-427-2611

SCSC will establish controls and comply with the Allowable Costs/Cost Principles compliance requirement. The Title I Director will maintain time and effort logs for teachers and paraprofessionals requiring such documentation. He will also keep records of Semi-Annual Certifications for employees whose salaries are paid 100% from grant funds. These records are being kept as of August, 2017.

FINDING 2016-005

We concur with this finding.

Contact Person Responsible for Corrective Action: Wilma Rosenberger, Business Manager; Fred Ross, Title I Director; Mike Jones, Superintendent; Marla Edwards, Guidance Director and Gregg Goewertt, High School Principal

Contact Phone Number: 812-427-2611 and 812-427-2626

Cash Management

The Treasurer prepares the Reimbursement Request reports and checks to ensure the amounts being requested are for funds that were expended prior to the date of the reimbursement request. The Superintendent verifies the request electronically for Title I and reviews other requests on paper. This began January, 2018.

Period of Performance

The Treasurer prepares the Reimbursement Request reports and checks to ensure the amounts being requested are for funds that were expenditures that occurred within the period of performance. The Superintendent verifies the request electronically for Title I and reviews other requests on paper to verify dates of expenditures. This began January, 2018.

Reporting

The Treasurer prepares the Reimbursement Request Reports and the Annual Financial Reports. The Superintendent will review each report at/or before submission. This began January, 2018.

Highly Qualified Teachers and Paraprofessionals

The Title I Director will be responsible for keeping records of Highly Qualified Teachers and Paraprofessionals current for each building. Such records will be maintained by the Administrative Secretary with copies in each school. This was completed as of July 1, 2016.

Annual Report Card, High School Graduation Rate

The High School Guidance Counselor will obtain documentation to support a student's removal from the cohort. She meets monthly with the guidance secretary and the attendance secretary to review any enrollees and withdrawals for the month. They maintain documentation of requests for records for both. She provides information to the Tech Director for updates in STN. The Tech Director uploads student data and signs the changes. The Guidance Director keeps that with her cohort records. The High School Principal or Assistant will verify the graduation rate information prior to submission of the Annual Report Card. This was completed as of October 2016.

FINDING 2016-006

We concur with this finding.

Contact Person Responsible for Corrective Action: Wilma Rosenberger, Business Manager and Gayla Bullock, Food Service Director

Contact Phone Number: 812-427-2611 and 812-427-2626

Description of Corrective Action Plan:

Cash Management

The Food Service Director monitors the net cash resources of the School Lunch fund to ensure that the amount does not exceed 3 months average expenditures. Oversight and review will be provided by the Corporation Treasurer. This began May, 2016.

Reporting: Claims for reimbursement will continue to be prepared by the Food Service Director. They will be reviewed and signed by the Café Secretary. This started March 1, 2016 for January. Annual financial reports will continue to be submitted by the Food Service Director. They will be verified by the Corporation Treasurer. This review began on 10-3-17. Verification summary reports will continue to be prepared and submitted by the Food Service Director and reviewed by the Café Secretary. This was implemented May, 2016.

Eligibility: Free and reduced lunch applications will be processed and eligibility determined by the Food Service Director. They will be verified by the Café Secretary This began August 2016.

Program Income: Cafeteria collections for school lunch accounts will continue to be remitted monthly by the School ECA Treasurers. The ECA Treasurers will include a signed monthly report showing daily cash collections. This began March, 2018. In addition, the Business Office will calculate the café revenue for the month and provide revenue history for the month to the Food Service Director. The Food Service Director will reconcile the prepaid balance and the individual accounts balance for the month. This will begin July 1, 2018.

Special Test and Provision - Verification of Free and Reduced Price Applications: (School Breakfast Program and National School Lunch Program)

Free and reduced price lunch applications will continue to be approved by the Food Service Director. Three percent of the applications will be verified by the Café Secretary. This was completed November, 2016.

Special Test and Provision - Paid Lunch Equity (National School Lunch Program):

The annual calculation for paid lunch equity will still be prepared by the Food Service Director. The documentation will be reviewed and signed by the Business Manager. We will retain these records to demonstrate compliance. This was implemented May 2016.

Finding 2016-007

We concur with this finding.

Contact Person Responsible for Corrective Action: Wilma Rosenberger, Business Manager
Contact Phone Number: 812-427-2673

Description of Corrective Action Plan

The Business Office will be responsible for ensuring that contractor s procured are not suspended or debarred. The Indiana and federal suspended vendors list will be used for determining eligible vendors. This will begin May, 2018. We will check annually as we use each vendor.

Wilma Rosenberger
(Signature)

Treasurer / Business Manager
(Title)

5/3/2018
(Date)

SWITZERLAND COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2018, with Wilma Rosenberger, Treasurer; Cindy Haskell, Deputy Treasurer; Kathryn M. Collier, President of the School Board; and Michael L. Jones, Superintendent of Schools.