

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

CASTON SCHOOL CORPORATION

FULTON COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
06/16/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Angela Chapman	07-01-14 to 06-30-18
Superintendent of Schools	Lucinda Douglas	07-01-14 to 06-30-18
President of the School Board	Jason Herd Bruce Cress	01-01-14 to 12-31-14 01-01-15 to 12-31-18



**STATE OF INDIANA**  
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TO: THE OFFICIALS OF THE CASTON SCHOOL CORPORATION, FULTON COUNTY, INDIANA

This report is supplemental to our audit report of the Caston 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/](http://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 18, 2018

CASTON SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Preparation of the Schedule of Expenditures of Federal Awards  
Audit Finding: Material Weakness

*Repeat Finding*

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

*Condition*

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without evidence of a review or approval process, or other compensating control.

*Context*

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

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

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

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

*Cause*

Management had not established a system of internal control to ensure proper reporting of the SEFA.

*Effect*

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

CASTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to 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 2016-002**

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, 99914-037-PN01,  
45714-037-PN01, 45715-037-PN01,  
45716-035-PN01

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. The School Corporation was a participating member school corporation of the Logansport Area Joint Special Education Cooperative (Cooperative). Logansport Community Schools was the fiscal agent and administrator of the Cooperative. The School Corporation relied on the Cooperative to comply with the Procurement and Suspension and Debarment compliance requirement of the Special Education Cluster (IDEA) programs. Because the grant agreements were between the Indiana Department of Education and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the 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 were not followed, which required that price or rate quotations be obtained from an adequate number of qualified sources. There were no quotes obtained for the non-contracted purchases during the audit period. Contracted procurement was not conducted in a manner that encouraged full and open competition.

CASTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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*

The lack of controls occurred throughout the audit period and noncompliance were systemic issues throughout the 2016 school year.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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

CASTON SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

"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."

*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.

**Caston School Corporation**  
P.O. Box 8  
Fulton, Indiana 46931-0008  
**OFFICE OF THE SUPERINTENDENT**  
Phone: 574-857-2035  
FAX: 574-857-6795

**CORRECTIVE ACTION PLAN**

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Treasurer & Superintendent  
Contact Phone Number: 574-857-2035

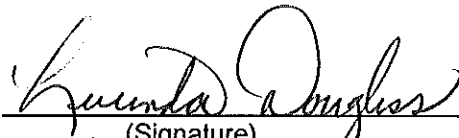
**Views of Responsible Official:** We concur with the finding

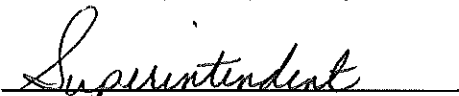
**Description of Corrective Action Plan:**

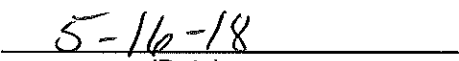
In a previous audit, Caston School Corporation was cited with **FINDING 2014-001 – Preparation of the schedule of expenditures of federal awards**. The concern specifically noted was that “the Superintendent had independently prepared the SEFA without oversight, review, or approval.” The Superintendent had assumed this duty due to the Treasurer leaving the school corporation, and the recent hiring/training of a new treasurer just weeks prior to the audit. Caston School Corporation agreed to implement a procedure requiring two essential personnel the responsibility of completing and/or reviewing the schedule as a part of the corrective action plan.

In the course of the 2014-15 and 2015-16 school years, corrections were implemented to the level of our understanding of appropriate actions needed. A worksheet, prepared by the Treasurer compiling the exact information that would be input into the SBOA Annual Financial Report had been discussed and reviewed by two or more essential personnel. Over time as we continued to improve upon our system of internal control, one or more individuals signed this worksheet to provide additional documentation of our practice which is reflected in the 2015-16 AFR preparation worksheet. This worksheet documents the financial information input into the SBOA Annual Financial Report in GATEWAY. The SBOA Annual Financial Report Attestation Form, however, had only been signed by the corporation treasurer, therefore it was determined that there was insufficient documentation of the implemented internal control. The reason for this oversight in documentation is that the SBOA Annual Financial Report Attestation Form only has one signature line intended for the Fiscal Officer submitting the form. This serves as the certification that “*the information submitted is accurate and agrees with the financial records, to the best of my knowledge and belief*”. Caston School Corporation will correct this concern by having a second essential personnel appropriately document the review of the final submission of SEFA with a second signature/date on the SBOA Annual Financial Report Attestation Form.

**Anticipated Completion Date:** This procedure will be implemented immediately and should be reflected on SBOA Annual Financial Report Attestation Forms effective with the 2017-2018 school year submittal August, 2018 and thereafter.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

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**CORRECTIVE ACTION PLAN**

***FINDING 2016-002***

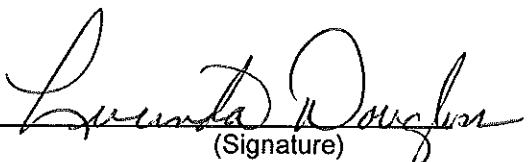
Contact Person Responsible for Corrective Action: Superintendent  
Contact Phone Number: 574-857-2035 x336

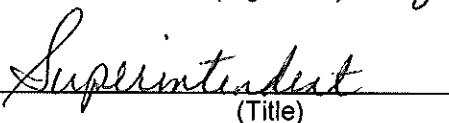
Views of Responsible Official: We concur with the finding

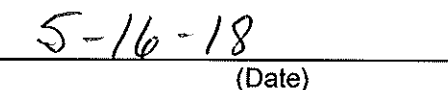
Description of Corrective Action Plan:

Caston participates in the Logansport Area Joint Special Services Cooperative for special education services. As a corrective action for the stated concerns for finding 2016-003, the Superintendent who serves on the LAJSSC Board of Directors will address the concerns with the Special Education Director and the Business Manager/Controller for Logansport School Corporation and work collaboratively to assure that the corrective actions are in place. Currently, the LAJSSC Special Education Director and the Logansport School Corporation 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.

Anticipated Completion Date: This corrective action plan will be in effect for all future purchases that would be made with Federal Awards designated for Caston School Corporation under the management of the LAJSSC effective July 1, 2018.

  
\_\_\_\_\_  
(Signature)

  
\_\_\_\_\_  
(Title)

  
\_\_\_\_\_  
(Date)

CASTON SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 18, 2018, with Bruce Cress, President of the School Board; Lucinda Douglass, Superintendent of Schools; Angela Chapman, Treasurer; and Susan Loftain, Associate for Finance.