

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RICHMOND COMMUNITY SCHOOLS

WAYNE COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**

06/21/2018



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2016-001	
Financial Transactions and Reporting .....	4-5
Finding 2016-002	
Child Nutrition Cluster - Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications, Special Tests and Provisions - Paid Lunch Equity .....	5-7
Finding 2016-003	
Child Nutrition Cluster - Procurement and Suspension and Debarment .....	7-8
Corrective Action Plan.....	9-10
Exit Conference.....	11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Karen Scalf	07-01-14 to 12-31-18
Superintendent of Schools	Dr. Allen Bourff Mark Millis (acting) Dr. Betty Poindexter (interim) Todd Terrill	07-01-12 to 12-31-14 01-01-15 to 01-07-15 01-08-15 to 06-30-15 07-01-15 to 07-31-19
President of the School Board	Linda Morgason Dixie Robinson Suzanne Derengowski	01-01-14 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE RICHMOND COMMUNITY SCHOOLS, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Richmond Community Schools (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 21, 2018

RICHMOND COMMUNITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and receipts. One employee received money, issued official receipts, prepared bank deposits and deposit slips, took deposits to the bank, posted receipts, and approved adjustments without evidence of an oversight, review, or approval process.

*Context*

The lack of controls was a systemic issue, which occurred 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 proper system of internal control over financial transactions and reporting.

*Effect*

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

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, to ensure that financial transactions and balances are properly reported.

RICHMOND 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 2016-002**

Subject: Child Nutrition Cluster - Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications, 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 Number): FY 2014/2015, FY 2015/2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications, Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit report related to the Reporting compliance requirement. The prior audit finding number was 2014-001.

*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, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

*Cash Management*

The School Corporation had not established controls to verify if cash resources exceeded three months average expenditures, including an oversight, review, or approval process.

*Reporting*

The School Corporation had not established controls to verify the accuracy of reports submitted to the state. One employee prepared and submitted the Annual Financial Report without an oversight, review, or approval process.

*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 controls over the free and reduced priced lunch applications. One employee performed all procedures related to the verification of free and reduced price applications without an oversight, review, or approval process.

RICHMOND COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

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

The School Corporation had not established controls related to the calculation of paid lunch equity. One employee performed all procedures related to the paid lunch equity calculations without an oversight, review, or approval process.

*Context*

The lack of controls was a systemic issue, 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 ensured compliance with the compliance requirements listed above.

*Effect*

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

RICHMOND 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 2016-003**

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): FY 2014/2015, FY 2015/2016  
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 the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred. The School Corporation did not verify if the vendors used during the audit period were suspended or debarred.

*Context*

The lack of controls and 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 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."

RICHMOND COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Cause*

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

*Effect*

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and 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.



# Richmond Community Schools

300 Hub Etchison Parkway · Richmond, IN 47374  
Phone (765) 973-3300

May 21, 2018

## CORRECTIVE ACTION PLAN

### **FINDING 2016-001**

Contact Person Responsible for Corrective Action: Karen Scalf  
Contact Phone Number: (765)973-3406

We concur with the finding and have put in place additional controls to meet the recommendation.

Description of Corrective Action Plan: The corporation has reinstated a previously vacant position to work in the Business Office as a support in the cash and receipts area as well as other routine duties. This position intends to provide the appropriate internal controls to meet the recommendation from the State Board of Accounts.

### **FINDING 2016-002**

Contact Person Responsible for Corrective Action: Margaret LaRue & Robert Tidrow  
Contact Phone Number: (765)973-3309

We concur with the finding and have put in place additional controls to meet the recommendation.

Description of Corrective Action Plan:

Free/Reduced Confirmation review-A confirmation review will be performed on three percent (minimum) of all Free/Reduced meal applications submitted on paper. This will be accomplished by the Head Cashier with the assistance of the Food Service Clerk in the food service office. The staff will arrange applications by school and count and review the information entered into our P.O.S. (mosaic) of every third application. Any discrepancies will be dealt with at the time of review. Any changes in the status of meal benefits will take place according to the D.O.E. guidelines. Online meal applications will have three percent reviewed by the Food Service Clerk. This will be accomplished by printing a listing of online applications and finding three percent. Then randomly selecting by application number, printing application and reviewing information NutriCloud imported into our P.O.S. Any discrepancies will be dealt with at the time of review and follow all D.O.E. guidelines for changes in meal benefits.

Free/Reduced Application Verification-Verification of Free/Reduced meal applications will be performed each school year according to the D.O.E. guidelines. All meal applications selected for verification will be cross referenced with the D.O.E. app center "look-up" site. The look up checks for direct certification status as well as direct verification status results. If a household is identified as directly certified or directly verified during the look up then no further verification is needed. Before ending the verification process, the Food Service Coordinator will review all paperwork, check stubs, public assistance award letters, etc. to ensure accuracy. The Food Service Coordinator will sign the verification folder to show it has been reviewed before submitting the S.F.A. report.

Cash balance-Along with the monthly comparison of revenue and expenses to the previous year, a quarterly comparison will be calculated using the revenue, expenditure, and fund reports. Each quarter, the totals will be added to 3 previous quarter figures. This average will help determine the allowable cash balance. Notes will be made if the cash balance is higher than allowable, should a near future purchase be expected.

Annual Financial Report-The Annual Financial Report is prepared by the Food Service Coordinator, using the DOE worksheet. After completion, the report will be reviewed by either the Food Service Secretary or the Chief Financial Officer.

Paid Equity Tool-The Food Service Coordinator will prepare the Paid Equity Tool using the DOE spreadsheet. The reports and the Tool will be sent to the Chief Financial Officer along with a spreadsheet to recalculate the data for accuracy. Both the Tool and the spreadsheet will be sent to the Chief Financial Officer for review and data storage.

**FINDING 2016-003**

Contact Person Responsible for Corrective Action: Margaret LaRue & Robert Tidrow

Contact Phone Number: (765)973-3309

We concur with the finding and have put in place measures to meet the recommendation.

Description of Corrective Action Plan:

Suspension and Disbarment-Each year when the Food Service Bid tabulation is completed and awarded, all awarded vendor companies will be checked on Sam.gov to be sure the company is in good standing. All new companies to be purchased from will be checked before awarding purchase orders.

All Corrective Action Plans were implemented and completed by May 7, 2018



Todd Terrill  
Superintendent



Karen Scalf  
Chief Financial Officer

RICHMOND COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2018, with Karen Scalf, Treasurer; Todd Terrill, Superintendent of Schools; Suzanne Derengowski; President of the School Board; and Jeff Slifer, School Board member.