

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

NORTH VERMILLION COMMUNITY  
SCHOOL CORPORATION  
VERMILLION COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
07/06/2018



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michele Harrison	07-01-14 to 06-30-18
Superintendent of Schools	Michael F. Turner Ed Eiler (acting) Bruce Hatton (interim) Daniel A. Nelson	07-01-14 to 04-09-15 04-10-15 to 11-16-15 11-17-15 to 06-30-16 07-01-16 to 06-30-19
President of the School Board	Larry Bemis Terra D. Naylor Brian Hughes	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-18



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TO: THE OFFICIALS OF THE NORTH VERMILLION COMMUNITY  
SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

This report is supplemental to our audit report of the North Vermillion Community 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 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

June 13, 2018

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2016-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat finding from the immediately prior audit. The prior audit finding numbers were 2014-001 and 2014-002.

*Condition*

The School Corporation did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the financial statement and Schedule of Expenditures of Federal Awards (SEFA). The School Corporation had not separated incompatible activities related to disbursements, financial transactions and reporting, and the SEFA.

*Disbursements*

One employee determined, remitted, and recorded the disbursements for employer-provided benefits and the employer share of payroll withholdings ledger without evidence of a proper system of oversight or review.

One employee was responsible for comparing accounts payable vouchers and checks issued to the disbursements recorded in the ledgers without any review or oversight.

*Financial Transactions and Reporting*

One individual prepared the financial reports without evidence of a proper system of oversight or review.

*Schedule of Expenditures of Federal Awards (SEFA)*

One employee prepared the SEFA without evidence of a proper system of oversight or review.

*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.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5 14-3.8-7."

*Cause*

Management had not established a system of internal controls that would have ensured proper recording and reporting of financial transactions and the SEFA.

*Effect*

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

*Recommendation*

We recommended that the School Corporation establish a system of internal controls to ensure that financial transactions are properly recorded and reported, and federal expenditures are properly reported in 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: Child Nutrition Cluster - Internal Controls

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 2014-2015, 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Eligibility, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Repeat Finding*

This is a repeat finding from the immediately prior audit related to Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Special Tests and Provisions - Paid Lunch Equity. The prior audit finding number was 2014-003.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP); and Special Tests and Provisions - Paid Lunch Equity.

*Activities Allowed or Unallowed, Allowable Costs/Cost Principles*

One employee determined, remitted, and recorded the disbursements for employer-provided benefits and the employer share of payroll withholdings ledger without evidence of a proper system of oversight or review.

*Eligibility*

The School Corporation relied on computer software to determine eligibility. The income guidelines were entered in the computer software by the school lunch director. There was no review or oversight to verify that the correct guidelines and information were entered in the computer software.

*Reporting*

There were no controls in place to ensure that required reports were complete and accurate prior to submission. One employee prepared and submitted the following reports without any oversight, review, or approval: Annual Financial Reports, School Food Authority Verification Collection Reports, and Claims for Reimbursement.

*Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)*

The Administrative Assistant of the School Corporation performed the verification of applications for the Food Service Department without evidence of oversight or review.

*Special Tests and Provisions - Paid Lunch Equity*

The Food Service Director performed the paid lunch equity calculations using the online calculator tool without evidence of oversight or review.

*Context*

The lack of an effective internal control system was a systemic problem throughout the audit period.

NORTH VERMILLION COMMUNITY 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 and the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

*Cause*

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

*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 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.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-003***

Subject: Child Nutrition Cluster - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 2014-2015, 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat finding from the immediately prior audit regarding Cash Management. The prior audit finding number was 2014-003.

*Condition*

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

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

The School Corporation did not comply with the cash management requirement that they limit their cash balance to three months average expenditures.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period. The School Corporation maintained cash balances in excess of three months average expenditures for 16 of the 24 months during the audit period. The cash balances exceeded three months average expenditures by a range of \$51,205 to \$132,068 in the 2014-2015 fiscal year and from \$719 to \$57,423 in the 2015-2016 fiscal year.

*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:

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(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 and the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:  
. . .

(iv) Limit its net cash resource to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Cash Management compliance requirement.

*Views of Responsible Officials*

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-004***

Subject: Child Nutrition Cluster - Equipment and Real Property Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 2014-2015, 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Equipment and Real Property Management  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the equipment requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that it maintain records of equipment purchased in whole or in part with federal funds and that it perform a physical inventory of this equipment.

The School Corporation was not maintaining a list of all equipment that was acquired with federal funds. The School Corporation failed to include an oven purchased for \$15,874 in the 2014-2015 school year. It was also determined that some of the cafeteria equipment on hand was not included in the record of equipment. This included three convection ovens at the high school.

The record of equipment did not include serial numbers or other identification numbers. The record of equipment did not indicate the source of funding.

A complete physical inventory of equipment acquired under federal awards was not performed during the audit period that would have allowed the School Corporation to determine if the item was included or omitted from the record of equipment.

The lack of a complete and accurate equipment record and failure to complete a physical inventory also prevented the testing of compliance related to disposals or dispositions of equipment.

*Context*

The lack of controls and the noncompliance were systemic problems 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:

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(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 200.313 states in part:

". . . (d) *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:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (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. . . .

(e) *Disposition.* When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. Disposition of the equipment will be made as follows, in accordance with Federal awarding agency disposition instructions:

- (1) Items of equipment with a current per unit fair market value of \$5,000 or less may be retained, sold or otherwise disposed of with no further obligation to the Federal awarding agency. . . ."

*Cause*

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

*Effect*

The failure to establish internal controls enabled material noncompliance to go undetected, which could have resulted in the loss of federal funds to the School Corporation. That noncompliance also prevented further testing of compliance related to disposals or dispositions of equipment.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation 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.

**FINDING 2016-005**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): 2014-2015, 2015-2016  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

*Procurement*

An effective internal control system was not in place at the School Corporation to ensure that the purchasing methods used complied with applicable state and local requirements, or that revisions were made to the purchasing policy to ensure that the purchasing method used complied with 2 CFR 200.320.

The School Corporation did not comply with the procurement requirements.

The School Corporation did not comply with its purchasing policy requiring School Board approval of bids let and accepted by the local cooperative.

The School Corporation did not revise its purchasing policy to address the methods of procurement required by 2 CFR 200.320. The policy did not include the procedures for each method of procurement (micro-purchase, small purchase, or sealed bid) and the thresholds for each method as follows:

<u>Procurement Method</u>	<u>Dollar Amount</u>
Micro-Purchase	< \$3,500
Small Purchase	\$3,500 - 150,000
Exceeds Simplified Acquisition	> \$150,000

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation did not obtain quotes when procuring goods from vendors when required. Quotes were not obtained for purchases made from three vendors which totaled \$35,843.

*Suspension and Debarment*

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

The School Corporation did not comply with the suspension and debarment requirements. The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before doing business with them.

*Context*

The lack of controls and the noncompliance were systemic issues throughout the audit period.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal controls 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 3016.36(b) states in part: "*Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this section . . ."

Indiana Code 20-26-4-8 states:

"Notwithstanding any other law, the president and secretary of the governing body of a school corporation are entitled, on behalf of the school corporation, to sign any contract, including employment contracts and contracts for goods and services. However, each contract must be approved by a majority of all members of the governing body. In the absence of either the president or secretary of the governing body, the vice president is entitled to sign the contracts with the officer who is present."

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

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

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

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

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

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 you intend to do business is not excluded or disqualified.

You do this by:

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

*Cause*

The School Corporation 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 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.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation 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 2016-006**

Subject: Child Nutrition Cluster - Program Income

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 2014-2015, 2015-2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Program Income compliance requirement.

The School Corporation had not properly designed or implemented adequate controls to ensure that program income was properly recorded. There was no calculation, review, or comparison of income derived from the number of meals served multiplied by the appropriate meal rates charged to the amount of cash received and recorded in the School Lunch fund.

The School Corporation did not comply with program income requirements. The School Corporation did not establish a separate fund for prepaid meals until June 30, 2016. Collections for prepaid meals and meals served were commingled in the School Lunch fund. There was no distinction between income earned based upon meals served and collections held in trust as prepayments.

*Context*

The lack of controls and noncompliance were systemic issues throughout the audit period.

*Criteria*

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

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable, that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . ."

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). (The School Bulletin and Uniform Compliance Guidelines, September 2008)

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

*Cause*

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

*Effect*

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 comply with the Program Income 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 2016-007**

Subject: Special Education Cluster (IDEA) - Level of Effort

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): 14213-089-PN01, 14214-089-PN01,  
14215-089-PN01, 14216-081-PN01,  
45713-089-PN01, 45715-089-PN01,  
45716-082-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Level of Effort - Maintenance of Effort requirements for the Matching, Level of Effort, Earmarking compliance requirement.

The Superintendent of Schools prepared the Level of Effort - Maintenance of Effort calculation for the fiscal year 2016 application and fiscal year 2017 application. An oversight or review process related to the calculation had not been established.

The School Corporation could not provide documentation for audit of the Level of Effort - Maintenance of Effort calculations for the fiscal year 2015 application.

*Context*

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of documentation for the fiscal year 2015 application was an isolated issue.

*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. . . ."

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

*Cause*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Matching, Level of Effort, Earmarking compliance requirement.

*Effect*

The failure to retain and provide supporting documentation prevented the determination of the School Corporation's compliance with the Level of Effort - Maintenance of Effort 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 Matching, Level of Effort, Earmarking compliance requirement.

*Views of Responsible Officials*

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-008***

Subject: Special Education Cluster (IDEA) - Activities Allowed  
or Unallowed, Allowable Costs/Cost Principles

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): 14213-089-PN01, 14214-089-PN01,  
14215-089-PN01, 14216-081-PN01,  
45713-089-PN01, 45715-089-PN01,  
45716-082-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

Audit Finding: Material Weakness

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

One employee determined, remitted, and recorded the disbursements for employer-provided benefits and the employer share of payroll withholdings ledger without evidence of a proper system of oversight or review.

*Context*

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

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with 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 Special Education Cluster (IDEA).

*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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2016-009**

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): 14213-089-PN01, 14214-089-PN01,  
14215-089-PN01, 14216-081-PN01,  
45713-089-PN01, 45715-089-PN01,  
45716-082-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement requirements for the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established internal controls to ensure that its purchasing policy and the purchasing method used were in compliance with 2 CFR 200.320.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
 FEDERAL FINDINGS  
 (Continued)

The School Corporation's procurement policy did not address the methods of procurement required by 2 CFR 200.320. The policy did not include the procedures for each method of procurement (micro purchase, small purchase, or sealed bid), and the thresholds for each method as follows:

Procurement Method	Dollar Amount
Micro-Purchase	< \$3,500
Small Purchase	\$3,500 - 150,000
Exceeds Simplified Acquisition	> \$150,000

*Context*

The lack of controls was a systemic issue, which occurred throughout the 2015-2016 fiscal year due to changes in federal requirements for procurement.

*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 controls 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 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

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

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

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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

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

*Cause*

The School Corporation 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 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 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 2016-010**

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education\_Grants to States, Special Education\_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-089-PN01, 14214-089-PN01,  
14215-089-PN01, 14216-081-PN01,  
45713-089-PN01, 45715-089-PN01,  
45716-082-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Significant Deficiency

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement for special reports, including the Disciplinary (formerly Suspension and Expulsion) and Termination reports.

1. Suspension and Expulsion Reports: The IT Director was responsible for extracting the data for this report from the student management system and uploading the report data to the state. The school principals were requested to review the reports. Review of this data was not documented.
2. Termination Reports: The IT Director was responsible for extracting the data for this report from the student management system, and submitting the report. Another individual was responsible for reviewing the information in the system in conjunction with the IT Director, but the review was not documented.

*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*

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the Reporting compliance requirement related to the special reports.

*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 an effective 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 programs.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 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.

# North Vermillion Community School Corporation

5551 North Falcon Drive, Cayuga, IN 47928

Office: 765-492-4033 Fax: 765-492-7001

**Daniel A. Nelson**  
Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

### *FINDING 2016-001*

Contact Person Responsible for Corrective Action: Michele Harrison  
Contact Phone Number: (765) 492-5101

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The management team of North Vermillion Community School Corporation (NVCSC) will correct deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The observed lack of segregation of duties of incompatible activities related to disbursements, Final Transaction and Reporting, and the Schedule of Expenditures of Federal Awards (SEFA) is currently checked by the Deputy Treasurer after being prepared by the Treasurer. The Deputy Treasurer will begin initialing disbursements and the components of SEFA to indicate review. If the Deputy Treasurer is unavailable, the Superintendent will review receipts.

The internal controls will also become a district wide mandated through training of corporation staff. The corporation treasurer has watched the internal controls training webinar and completed the sign off sheet. The corporation will mandate that the internal control webinar be viewed by all certified and noncertified staff which handles money within the first two weeks of the start of the new school year or the date of their new employment with the corporation. A signoff form will be completed by the staff member for verification as well.

Gateway submissions will be reviewed by the Deputy Treasurer, the financial consultant, or a central office administrator prior to final submission. Reports will be printed and initialed indicating review and approval.

Anticipated Completion Date: The process of corrective action has already started.

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

*Corporation Treasurer*  
\_\_\_\_\_  
(Title)

*6/13/18*  
\_\_\_\_\_  
(Date)

# North Vermillion Community School Corporation

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Superintendent

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Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

### *FINDING 2016-002*

Contact Person Responsible for Corrective Action: Christy Wann  
Contact Phone Number: (765) 492-4033

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The Food Service Director of North Vermillion Community School Corporation (NVCSC) will enter guidelines into Harmony and the ECA Treasurer will review and initial. The Food Service Director will prepare the School Food Authority Verification Collection report and the ECA Treasurer will review and initial.

Claims reimbursements are prepared by Kitchen Managers and the Food Service Director will review and signoff prior to submission. Verification of applications is done by the ECA Treasurer who also signs off on the back of the application along with the concurring reviewer as well. This process is done annually.

Paid Lunch Equity will be performed by the Food Service Director and will be reviewed by the Superintendent.

Anticipated Completion Date: Immediate and ongoing.

*Shelly Harrison*  
\_\_\_\_\_  
(Signature)

*Corporation Treasurer*  
\_\_\_\_\_  
(Title)

*6/13/18*  
\_\_\_\_\_  
(Date)

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**Daniel A. Nelson**  
Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

### *FINDING 2016-003*

Contact Person Responsible for Corrective Action: Dan Nelson, Christy Wann  
Contact Phone Number: (765) 492-5101

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: NVCSC will document the use of a review/oversight of disbursements from program funds prior to payment. Kitchen Managers will approve claims for payment which will be submitted to the ECA Treasurer for payment. Claims will be prepared by the ECA Treasurer and then processed by the Treasurer. Each individual will initial or sign showing approval of disbursements.

NVCSC will monitor lunch fund monthly cash balances (net cash resources) to assure that three months' average expenditures are in compliance with Cash Management requirements. Monthly balances are currently reviewed by the Superintendent and will tracked using a spreadsheet. This spreadsheet will be shared with Kitchen Managers and the ECA Treasurer to verify accuracy which will be indicated by the initialing of the financial documentations on a quarterly basis.

Anticipated Completion Date: Training of above named personnel will take place at the beginning of the 2018-19 school year and financial will commence immediately thereafter.

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

*Superintendent*  
\_\_\_\_\_  
(Title)

*6-13-18*  
\_\_\_\_\_  
(Date)

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**Daniel A. Nelson**  
Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

*FINDING 2016-004*

Contact Person Responsible for Corrective Action: Michele Harrison  
Contact Phone Number: (765) 492-5101

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: NVCSC will investigate and contract services with an agency to complete a Fixed Asset Inventory. Once completed the inventory will be provided to the requisite buildings and departments, with a master copy located in Central Office.

Personnel will be instructed on the use of updating and removing property from the Fixed Asset Inventory as new property is purchased or decommissioned.

Anticipated Completion Date: Quotes will be sought through August 31, 2018 with an inventory to be completed by October 31, 2018.

*Michele Harrison*  
\_\_\_\_\_  
(Signature)

*Corporation Treasurer*  
\_\_\_\_\_  
(Title)

*6/13/18*  
\_\_\_\_\_  
(Date)

# North Vermillion Community School Corporation

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**Daniel A. Nelson**  
Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

*FINDING 2016-005*

Contact Person Responsible for Corrective Action: Michele Harrison

Contact Phone Number: (765) 492-5101

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: NVCSC will assure that internal controls are in place to ensure that purchasing methods used to comply with procurement procedures or with applicable state and local requirements. The school corporation will award bids and enter contracts as approved by the School Board. The school corporation will maintain documentation of any procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

The school corporation will obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500 and document the rationale for the method of procurement.

Anticipated Completion Date: Procedures will begin immediately and will be ongoing .

*Michele Harrison*

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

*Corporation Treasurer*

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

*6/13/18*

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

# North Vermillion Community School Corporation

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**Daniel A. Nelson**  
Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

### *FINDING 2016-006*

Contact Person Responsible for Corrective Action: Christy Wann

Contact Phone Number: (765) 492-4033

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: NVCSC established a Prepaid Food Fund on June 30, 2016. The Food Service Director creates a negative balance of prepaid money report and a positive balance of prepaid money report. The total is the balance of the Prepaid Food Fund after the portion of prepaid money has been transferred to the Cafeteria Fund.

The Food Director determines how much prepaid food fund money is used by the Harmony income Report and will monitor it on a monthly basis to assure program income matches meals served.

Anticipated Completion Date: Ongoing.

*Michael Harrison*

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

*Corporation Treasurer*

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

*6/13/18*

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

# North Vermillion Community School Corporation

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Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

*FINDING 2016-007*

Contact Person Responsible for Corrective Action: Dan Nelson

Contact Phone Number: (765) 492-5101


Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The NVCSC will establish an effective internal control system as related to grants and reporting. The superintendent will complete the Maintenance of Effort for Special Education Part B Grant calculation each year. The Treasurer will be a second check of this process and will initial verifying the information has been double checked.

Anticipated Completion Date: July 1, 2018

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

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

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

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**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

*FINDING 2016-008*

Contact Person Responsible for Corrective Action: Michele Harrison

Contact Phone Number: (765) 492-5101

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: The NVCSC will establish an effective internal control system as related to grants and reporting. The Treasurer will prepare and complete the payroll and employee benefit distributions. The Superintendent will be a second check of this process and will initial verifying the benefits and withholdings have been posted to the correct account line.

Anticipated Completion Date: July 1, 2018

*Michele Harrison*

(Signature)

*Corporation Treasurer*

(Title)

*6/13/18*

(Date)

# North Vermillion Community School Corporation

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Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

### *FINDING 2016-009*

Contact Person Responsible for Corrective Action: Dan Nelson

Contact Phone Number: (765) 492-5101

Views of Responsible Official: We concur with this finding.


Description of Corrective Action Plan: NVCSC will assure that internal controls are in place to ensure that contracted services comply with procurement procedures or with applicable state and local requirements. The school corporation will award bids and enter contracts as approved by the School Board. The school corporation will maintain documentation of any procedures performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

The school corporation will obtain price or rate quotes from an adequate number of sources for micro-purchases, small-purchases, and those that exceed simplified acquisition. Additionally, the school corporation is in the process of updating all board policies, and especially those related to purchasing and contracted services.

Anticipated Completion Date: July 1, 2018

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

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

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

# North Vermillion Community School Corporation

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**Daniel A. Nelson**  
Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

## CORRECTIVE ACTION PLAN

### *FINDING 2016-010*

Contact Person Responsible for Corrective Action: Brian Byrum, Jayne Ann Virostko  
Contact Phone Number: (765) 492-4033

Views of Responsible Official: We concur with this finding.

Description of Corrective Action Plan: NVCSC administrators will ensure that when the Disciplinary and Termination reports are run in Harmony by the Director of Technology, that they will review the data before submission to the Department of Education. Proof of this will be recorded through the use of administrator sign off on the report.

Anticipated Completion Date: June 30, 2018

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

*Superintendent*  
\_\_\_\_\_  
(Title)

*6-13-18*  
\_\_\_\_\_  
(Date)

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
AUDIT RESULTS AND COMMENTS

***RAINY DAY FUND TRANSFERS***

The School Corporation made a transfer into the Rainy Day fund for \$345,000 without a School Board approved resolution.

The School Corporation made two transfers from the Rainy Day fund totaling \$1,058,343 (\$658,343 to the General fund, and \$400,000 to the Transportation fund).

Indiana Code 36-1-8-5.1 states in part:

". . . (c) The rainy day fund is subject to the same appropriation process as other funds that receive tax money.

(d) In any fiscal year, a political subdivision may, at any time, do the following:

(1) Transfer any unused and unencumbered funds specified in subsection (b)(2)(A) from any fiscal year to the rainy day fund.

(2) Transfer any other unobligated cash balances from any fiscal year that are not otherwise identified in subsection (b)(2)(A) or section 5 of this chapter to the rainy day fund as long as the transfer satisfies the following requirements:

(A) The amount of the transfer is authorized by and identified in an ordinance or resolution. . . .

(g) A county, city, or town may at any time, by ordinance or resolution, transfer to:

(1) its general fund; or

(2) any other appropriated funds of the county, city, or town;

money that has been deposited in the rainy day fund of the county, city, or town."

***INTERNAL CONTROL TRAINING***

The School Corporation only provided internal control training to the Treasurer and did not provide training to other employees and staff as required under Indiana Code 5-11-1-27(g).

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Indiana Code 5-11-1-27(c) states:

"As used in this section, 'personnel' means an officer or employee of a political subdivision whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the federal government, state government, a political subdivision, or another governmental entity."

Indiana Code 5-11-1-27(g) states in part:

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

**APPROPRIATIONS**

A similar comment appeared in prior Report B45114, entitled *APPROPRIATIONS*.

Expenditures exceeded budgeted appropriations as follows:

Fund	Years Ending December 31,	
	2014	2015
Debt Service	\$ 278,836	\$ -
Capital Projects	318,904	-
School Transportation	353,229	287,354

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

## **North Vermillion Community School Corporation**

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**Daniel A. Nelson**  
Superintendent

**Shelly Harrison**  
Treasurer

**Debra Harding**  
Admin Assistant

To: Paul Joyce, State Examiner  
From: Daniel A. Nelson, Superintendent of Schools  
Re: Official Response to Financial Audit for 07/01/14 to 06/30/16  
Date: June 21, 2018

The information provided below is offered to further explain the results and comments the school corporation received on the “Audit Results and Comments” through the Exit Interview Process.

Because of the critical financial condition of the North Vermillion Community School Corporation on June 30, 2015 the cash balance in the Transportation Fund was negative \$226,420.22. The district was prepared to advertise an additional appropriation to correct the problem, but in developing the 2016 budget the district discovered the Gateway software used by the DLGF would not permit a negative June 30<sup>th</sup> cash balance. In attempting to work with the Gateway software, the resultant choice was between approving an additional appropriation or securing the new maximum levy approved by special legislation. Given that choice the district opted to pursue securing the maximum levy. The subsequent budget and succeeding budgets have taken the corrective actions cited by the auditors.

NORTH VERMILLION COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2018, with Michele Harrison, Treasurer; Daniel A. Nelson, Superintendent of Schools; R.J. Dunavan, School Board member; John Bean, School Board member; and Paul Pfladderer, Financial Consultant.