

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

ORLEANS COMMUNITY SCHOOLS

ORANGE 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	Theresa Robbins	01-01-14 to 12-31-18
Superintendent of Schools	Gary McClintic	01-01-14 to 12-31-18
President of the School Board	David Henderson Jon Stalker Barry Bishop David Henderson	01-01-14 to 12-31-14 01-01-15 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE ORLEANS COMMUNITY SCHOOLS, ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Orleans 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/.

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 29, 2018

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2016-001

Subject: School Breakfast Program, National School Lunch Program - 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): FY 2014-15, FY 2015-16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matter

Repeat Finding

This is a repeat finding from the immediately prior audit. 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 policies or procedures to ensure that the School Lunch fund cash balance (net cash resources) did not exceed three months average expenditures.

The School Corporation did not comply with the Cash Management requirement that they limit its net cash resources to three months average expenditures.

Context

The lack of controls was an issue until October 2015 when the School Corporation implemented a procedure where the Treasurer prepared a spreadsheet comparing the school lunch balances to the three month average expenditures. The noncompliance was a systemic issue throughout the audit period. The net cash resources in the School Lunch fund exceeded three months average expenditures in all 24 months during the audit period. No written plan was prepared or approved by Indiana Department of Education to allow for a balance greater than the three month average expenditures.

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. . . ."

ORLEANS COMMUNITY SCHOOLS
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(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 month average expenditure for its nonprofit school food service of 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 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 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.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.556, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-15, FY 2015-16
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

The School Corporation had not established effective controls to ensure proper procurement methods were selected prior to purchasing goods.

The School Corporation did not have documented procurement procedures as required by 2 CFR 200.318.

The School Corporation had four vendors who met the requirements for the small purchase method for which no quotes were obtained.

Suspension and Debarment

The School Corporation did not have any policies or procedures in place to ensure that those vendors that were not contracted through a third-party purchasing service were not suspended or debarred from participation in federal award programs.

The School Corporation participated in a service center for some of its food service purchasing. The service center checked for compliance with suspension and debarment requirements for the vendors used by its members. The School Corporation did not obtain documentation that contracted vendors had not been suspended or debarred.

Context

The lack of controls was a systemic issue throughout the audit period. Documentation was not obtained to support compliance with the procurement requirements of the Procurement and Suspension and Debarment compliance requirement for only the 2016 fiscal year. Documentation also was not obtained to support compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement for both fiscal years.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

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. . . ."

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

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

You do this by:

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

Cause

The School Corporation's management 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 noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-003

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program, Special Milk Program for Children, Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.556, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2014-15, FY 2015-16

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-004.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Annual Financial Reports and School Food Authority (SFA) Verification Collection Reports were prepared by one individual without an oversight, review, or approval process.

Context

The lack of internal controls over the Reporting compliance requirement was a systemic problem for the audit period for the Annual Financial Reports and for the 2015 fiscal year for the School Food Authority (SFA) Verification Collection Report. During the 2016 fiscal year, the School Corporation implemented the control that one employee completed the verification process and another completed the School Food Authority (SFA) Verification Collection Report.

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's management had not developed a system of internal controls that would have segregated key functions.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls, including segregation of duties, to ensure compliance with 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.

FINDING 2016-004

Subject: Title I Grants to Local Educational Agencies - Special Tests
and Provisions - Participation of Private School Children
Federal Agency: Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 14-6145, 15-6145
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Participation of Private School Children
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2014-006.

Condition

Management of the School Corporation had not established an effective internal control system over the Special Tests and Provisions - Participation of Private School Children compliance requirement for the 2015 fiscal year.

The School Corporation did not conduct consultations with private school officials to determine the kind of educational services to provide to eligible private school children regarding Title I Grants to Local Educational Agencies requirements for the 2015 fiscal year.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The School Corporation did not conduct consultations for the 2015 fiscal year with the one private school located within the School Corporation boundaries. The School Corporation's management corrected this issue for the 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. . . ."

20 USC 7881(c)(1) states in part:

"To ensure timely and meaningful consultation, a State educational agency, local educational agency, educational service agency, consortium of those agencies, or entity shall consult with appropriate private school officials. Such agency and private school officials shall both have the goal of reaching agreement on how to provide equitable and effective programs for eligible private school children, on issues such as—

- (A) how the children's needs will be identified;
- (B) what services will be offered;
- (C) how, where, and by whom the services will be provided;
- (D) how the services will be assessed and how the results of the assessment will be used to improve those services; and
- (E) the size and scope of the equitable services to be provided to the eligible private school children, teachers, and other educational personnel, the amount of funds available for those services, and how that amount is determined;
- (F) how and when the agency, consortium, or entity will make decisions about the delivery of services, including a thorough consideration and analysis of the views of the private school officials on the provision of services through potential third-party providers; . . ."

Cause

Management of the School Corporation had not developed a system of internal control that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children compliance requirement.

ORLEANS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

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 develop and implement procedures and establish controls to ensure compliance with the grant agreement and the Special Tests and Provisions - Participation of Private School Children 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.

ORLEANS COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

Gary McClintic, Superintendent
Theresa Robbins, Treasurer
Bridget Knight, Deputy
Louise Mason, Secretary



173 W. Marley Street - Orleans, IN 47452
(812) 865-2688
www.orleans.k12.in.us

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CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible For Corrective Action: Theresa Robbins
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: In November 2015, the treasurer developed an excel spreadsheet to maintain a running three-month average. This spreadsheet is used to monitor where the balance is at compared to the three-month average. This spreadsheet is included with the monthly financials, which are given to the school board on a routine basis. In addition, costs have been reviewed to see if they are applicable to the cafeteria. If they have been found to be applicable and there is a way to calculate what percentage is used for the cafeteria, the treasurer is asking the cafeteria to pay for their portion of the cost. One example of this would be worker's compensation insurance. The treasurer is also planning to speak with the cafeteria manager and the ECA treasurer to develop a written plan. This written plan will detail strategies to undertake in order to reduce net cash resources.

Anticipated Completion Date: Ongoing and Continuous

FINDING 2016-002

Contact Person Responsible For Corrective Action: Dorothy Dorsett
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The cafeteria manager needs to directly contact the DOE for specific guidelines in regards to the procurement process and its documentation needs. The cafeteria manager should begin to document the rationale for vendor choice in writing (in regards to non-contracted vendors). For contracted vendors, the cafeteria manager should request a copy of their bid. The cafeteria manager needs to begin collecting documentation for the suspension and debarment compliance requirement. This should be completed, at a minimum, on an annual basis at the beginning of each school year. For non-contracted vendors, the cafeteria manager should check the SAM exclusions and document that this has been completed. For contracted vendors, the cafeteria manager should request a copy of their contract, which should contain language pertaining to suspension and debarment.

Anticipated Completion Date: Summer of 2018

**ORLEANS COMMUNITY SCHOOLS
OFFICE OF THE SUPERINTENDENT**

Gary McClintic, Superintendent
Theresa Robbins, Treasurer
Bridget Knight, Deputy
Louise Mason, Secretary



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CORRECTIVE ACTION PLAN (Continued)

FINDING 2016-003

Contact Person Responsible For Corrective Action: Carol Steward
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Regarding the annual financial report, the elementary ECA treasurer has the principal sign this report. Regarding the Z reports, the elementary ECA treasurer now signs and dates the first page of this monthly report. Regarding the verification reports related to free and reduced, the cafeteria secretary sends out the letters and the cafeteria manager completes the report online.

Anticipated Completion Date: Fall of 2015 (Implementation of Z reports and verification reports) & Fall of 2016 (Implementation of annual financial reports)

FINDING 2016-004

Contact Person Responsible For Corrective Action: James Ellis
Contact Phone Number: (812)865-2688

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The elementary principal is sending a certified letter to the one private school in our district which invites them to attend a meeting on a specified date. This meeting will include a presentation on the Title I program and the services available to the private school students. This is being completed on an annual basis in July or August for the upcoming school year.

Anticipated Completion Date: Fall of 2015

Handwritten signature of Gary McClintic in black ink, written over a horizontal line.
Signature

Handwritten title "Superintendent" in black ink, written over a horizontal line.
Title

Handwritten date "5-29-18" in black ink, written over a horizontal line.
Date

ORLEANS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on May 29, 2018, with Gary McClintic, Superintendent of Schools; Theresa Robbins, Treasurer; David Henderson, President of the School Board; and Carol Steward, Elementary School Extracurricular Accounts Treasurer.