

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTH DAVIESS COMMUNITY SCHOOLS

DAVIESS 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	Glenda O'Connor	07-01-14 to 12-31-18
Superintendent of Schools	Robert W. Bell	07-01-14 to 12-31-18
President of the School Board	Richard Woodruff Rob Dove	07-01-14 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH DAVIESS COMMUNITY
SCHOOLS, DAVIESS COUNTY, INDIANA

This report is supplemental to our audit report of the North Daviess 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

June 18, 2018

NORTH DAVIESS COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2016-001

Subject: Child Nutrition Cluster - 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 Number and Year (or Other Identifying Number): FY 14-15
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.

The School Corporation did not have any internal controls, 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 during the 2014-2015 fiscal year. Documentation was not obtained to support compliance with the suspension and debarment requirements of the Procurement and Suspension and Debarment compliance requirement for the 2014-2015 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 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."

NORTH DAVIESS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 3016.20(b)(2) states:

"Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

7 CFR 3016.42 states in part:

"(a) *Applicability.*

(1) This section applies to all financial and programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees which are:

(i) Required to be maintained by the terms of this part, program regulations or the grant agreement, or

(ii) Otherwise reasonably considered as pertinent to program regulations or the grant agreement. . . .

(b) *Length of retention period.*

(1) Except as otherwise provided, records must be retained for three years . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured proper documentation was obtained to verify compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system resulted in records not being properly obtained by the School Corporation to verify compliance with the grant agreement or the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure records are properly obtained to verify compliance 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.

NORTH DAVIESS COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2016-002

Subject: Special Education_Preschool Grants - Procurement and Suspension and Debarment
Federal Agency: Department of Education
Federal Program: Special Education_Preschool Grants
CFDA Number: 84.173
Federal Award Numbers and Years (or Other Identifying Numbers): 45715-009-PN01, 45716-007-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 was a member of the Daviess-Martin Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. There was no oversight of the Cooperative by the School Corporation. Each member school corporation was ultimately responsible for ensuring compliance with the requirement.

Management of the School Corporation had not established an effective internal control system to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred or otherwise excluded from or ineligible to participate in a federal assistance programs prior to entering into a contract with them.

Context

Each fiscal year one contracted vendor received more than \$25,000 during the audit period to provide special education preschool services. There was no evidence that the Cooperative verified that the vendors were not suspended or debarred prior to awarding the contracts.

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 DAVIESS 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

Management of the School Corporation had not developed a system of internal controls that would have ensured that the Cooperative complied with the grant agreement and 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 or the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

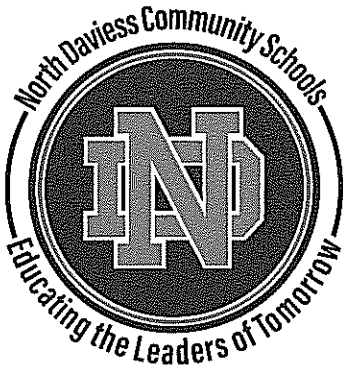
There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to monitor the Cooperative to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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



North Daviess Community Schools
5494 E. State Road 58
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Robert W. Bell, Superintendent • Jodi G. Berry, Director of Instruction & Technology
Glenda O'Connor, Treasurer • Elizabeth Knepp, Administrative Assistant

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Glenda O'Connor, Corporation Treasurer
Contact Phone Number: 812-636-8000 Ext 1001

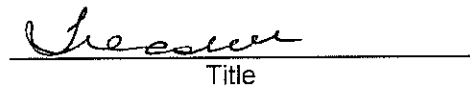
We concur with the attached finding.

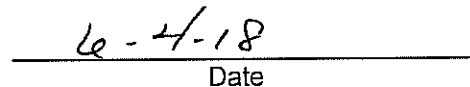
Description of Corrective Action Plan:

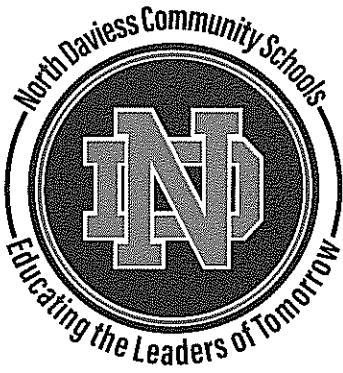
Guidance officials will print the Sams website for any vendor over the \$25,000.00 threshold and keep in our files.

Anticipated Completion Date: This process will begin on 6/1/2018.


Signature


Title


Date



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Glenda O'Connor, Treasurer • Elizabeth Knepp, Administrative Assistant

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Glenda O'Connor, Treasurer
Contact Phone Number: 812-636-8000 ext 1001

We concur with this finding.

Description of Corrective Action Plan:

The Superintendent, who sits on the Special Education Co-Op board, will work with the Special Ed Co-Op officials to make sure all vendors are approved and not suspended or debarred.

Anticipated Completion Date: June 1, 2018

Glenda O'Connor
Signature

Treasurer
Title

6-5-18
Date

NORTH DAVIESS COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2018, with Robert W. Bell, Superintendent of Schools; Glenda O'Connor, Treasurer; and Rob Dove, President of the School Board.