

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
WHITE RIVER VALLEY SCHOOL DISTRICT
GREENE COUNTY, INDIANA
July 1, 2014 to June 30, 2016



FILED
07/31/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jayne Kaho	07-01-14 to 06-30-19
Superintendent of Schools	Dr. Robert M. Hacker	07-01-14 to 06-30-19
President of the School Board	Jason Davidson David Reed	01-01-14 to 12-31-16 01-01-17 to 12-31-18



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TO: THE OFFICIALS OF THE WHITE RIVER VALLEY SCHOOL
DISTRICT, GREENE COUNTY, INDIANA

This report is supplemental to our audit report of the White River Valley School District (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/.

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 26, 2018

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS

FINDING 2016-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

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

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster was not reported. Program expenditures of \$260,895 and \$261,102 were not reported for fiscal years 2015 and 2016, respectively, resulting in a total understatement of \$521,997 for the programs.
2. The Special Education Cluster (IDEA) was not reported. Program expenditures of \$211,796 and \$215,378 were not reported for fiscal years 2015 and 2016, respectively, resulting in a total understatement of \$427,174 for the programs.
3. The program titles, pass-through entity, and identification numbers were incorrect for three programs.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

Criteria

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

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

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

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

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § ____ .310. . . ."

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Views of Responsible Officials

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

FINDING 2016-002

Subject: Title I Grants to Local Educational Agencies,
Child Nutrition Cluster - Procurement

Federal Agencies: Department of Education, Department of Agriculture
Federal Programs: Title I Grants to Local Educational Agencies, School
Breakfast Program, National School Lunch Program

CFDA Numbers: 84.010, 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 14-2980, 15-2980, 16-2980,
FY 2015, FY 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.

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

The School Corporation did not comply with its purchasing policy requiring the purchasing agent (Superintendent of the School Corporation) to obtain three price quotations for purchases over \$10,000. The School Corporation did not obtain quotes when procuring goods from vendors when required. Quotes were not obtained for a Title I program purchase made from one vendor, which totaled \$12,488 during the 2015-2016 school year.

The School Corporation did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

The School Corporation's purchasing 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:

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

Context

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

WHITE RIVER VALLEY SCHOOL DISTRICT
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). . . ."

34 CFR 80.36(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. . . ."

- (9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.318 states in part:

"(a) 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. . . ."

- (i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

White River Valley School District, Purchasing Policy states in part:

"6320 - PURCHASING

It is the policy of the Board that the Superintendent shall act as the purchasing agent for the Board.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Purchases of Supplies

For purposes of this policy 'supplies' means any personal property. The term includes equipment, goods, and materials. The term does not include an interest in real property. For purposes of this policy 'purchase' means buy, procure, rent, lease, or otherwise acquire.

The purchasing agent may make open market purchases of no more than \$50,000 for a single item or a group of similar items.

The purchasing agent must seek at least three (3) price quotations on purchases of more than \$10,000 but less than \$150,000 except in cases of emergency or where materials are of such nature that price quotations would not result in a savings to the School Corporation. . . ."

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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

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.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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: Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles
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): 14-2980, 15-2980, 16-2980
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit regarding internal control over Allowable Costs/Cost Principles. 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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

The School Corporation paid a portion of the Elementary School Principal's salary from the Title I Program each year for serving as the Title I Director. The Title I funds were paid to the Elementary School Principal in the form of a stipend, in addition to the contract with no addendum.

Per the Title I Fiscal Handbook 2014-2015 and 2015-2016, a principal cannot concurrently have the duties of a Title I Director. The amount of salary and benefits paid from the Title I Program in fiscal years 2015 and 2016 were \$8,797 and \$9,572, respectively. The total amount paid, \$18,369, was considered a questioned cost.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Context

The lack of internal controls and noncompliance were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 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). . . ."

OMB Circular A-87, Attachment A, Part C states in part:

"1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following general criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
- b. Be allocable to Federal awards under the provisions of this Circular. . . .
- j. Be adequately documented. . . ."

2 CFR 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .
- (g) Be adequately documented. . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Title I Fiscal Handbooks 2014-2015 and 2015-2016 state in part:

"PAYMENT FOR ADMINISTRATIVE SALARIES

Salaries of superintendents, assistant superintendents, treasurers and 12 month/full-time principals and assistant principals are normally paid from general funds of the school corporation. Typically, these positions are covered by 12 month yearly contracts and cannot be reimbursed by Title I funds. Reimbursement for Title I services by these staff positions may be recouped by claiming Indirect Cost Expense based on the Indirect Cost Formula. The duties a principal takes on to serve as Title I Program Administrator may be additional to a principal's responsibilities, however, this situation presents a programmatic issue because IDOE questions whether an individual performing the duties of a full-time principal can also effectively carry out Title I administrative duties such as SWP, School Improvement, Parent Involvement, Non-public School Consultation, and Evaluation of Programs. Many of these activities need to be carried out during the day. Principals may receive payment for Title I work if it is outside of their contract. . . .

In such a case, a separate contract must be prepared with a description of services to be performed, dates and hours when services will be performed, location where services will be performed and the description of the number of teachers/students to be served (if applicable). The contract period will be after the end of the current year school contract. This contract cannot be paid until after the duties have been performed. The daily rate of the contract cannot exceed the daily rate of pay provided under the administrative contract for that individual during the school year."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation. A lack of oversight of allowable costs within an internal control system 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 program.

Questioned Costs

The expenditures noted above for salary and benefits resulted in total questioned costs of \$18,369.

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls to ensure compliance with 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.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Special Education Cluster (IDEA), Title I Grants to Local Educational Agencies - Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants, Title I Grants to Local Educational Agencies

CFDA Numbers: 84.027, 84.173, 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-24-PN01, 14214-24-PN01, 14215-24-PN01, 14216-24-PN01, 99914-24-PN01, 45714-24-PN01, 45715-24-PN01, 45716-24-PN01, 14-2980, 15-2980, 16-2980

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Finding: Material Weakness

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 agreements and the Special Tests and Provisions - Schoolwide Programs compliance requirement.

A schoolwide plan was created and evaluated by the Title I Director; however, there was no evidence of oversight or approval to ensure the plan was in compliance with the schoolwide programs requirement.

Context

The lack of internal controls were systemic issues, which occurred throughout the audit period.

Criteria

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

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

2 CFR 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). . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreements 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 related to the grant agreements and the compliance requirement listed above.

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: Title I Grants to Local Educational Agencies - Special
Tests and Provisions - Assessment System Security

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): 14-2980, 15-2980, 16-2980

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Assessment System Security

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation had not established an effective internal control system to ensure compliance related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement.

The School Corporation was required to properly implement policies and procedures regarding the Special Tests and Provisions - Assessment System Security compliance requirement. The School Corporation did not keep the sign in sheets from the training or maintain Indiana Testing Security and Integrity Agreements (Agreements) for any individuals who administered, handled, or had access to secure test materials at the district or school level.

Context

The lack of controls were systemic, occurring throughout the audit period. Agreements were not retained for audit for either fiscal year.

WHITE RIVER VALLEY SCHOOL DISTRICT
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 200.333 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. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed, . . ."

Indiana Assessment Program Manual, Chapter 10, Section 4, Part D states in part:

". . . Ensure all applicable school and corporation staff review and sign the *Indiana Testing Security and Integrity Agreement* annually by the end of September as described in the Code of Ethical Practices and Procedures"

White River Valley School District 2623.01 - Test Security Provisions for Statewide Assessments policy states in part:

"It is the intent of the Board that all staff comply with the requirements of the Indiana Department of Education (IDOE) regarding test security of the statewide assessments (ISTEP+). . . ."

The Junior-Senior High School Guidance Counselor is designated as the Corporation Test Coordinator (CTC). The CTC shall: . . .

D. following all procedures located in the testing manuals and those outlined by the IDOE;

E. ensure that all appropriate staff has knowledge of the Indiana Ethical Testing Practices and Procedures and understand the procedures to secure, administer, and handle assessment materials while in their possession. . . .

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Each building principal is designated as the Building Test Coordinator (BTC). The BTC is responsible for security of assessment materials during the time the materials are in his/her school.

The BTC responsibilities include, but are not limited to, the following: . . .

E. informing appropriate staff of Indiana Ethical Testing Practices and Procedures; . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreements 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 with the Special Tests and Provisions - Assessment System Security 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: Title I Grants to Local Educational Agencies - Reporting,
Cash Management, Period of Performance, and Eligibility

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): 14-2980, 15-2980, 16-2980

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting, Cash Management, Period
of Performance, and Eligibility

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation's management had not established an effective internal control system related to the grant agreement and the Reporting, Cash Management, Period of Performance, and Eligibility compliance requirements.

Reporting

Supporting documentation for the Average Daily Membership (ADM) enrollment and poverty figures reported on the State Per Pupil Expenditure (SPPE) reports was not retained for audit for either fiscal year.

Cash Management

The Treasurer had the sole responsibility for preparing and submitting the Request for Reimbursement. There was no segregation of duties such as an oversight, review, or approval process to ensure the Request for Reimbursement were complete and accurate.

The Request for Reimbursement forms presented for audit were either inaccurate or missing for both audit years. Eleven Request for Reimbursements were submitted by the School Corporation during the audit period and tested 100 percent with seven exceptions; three Request for Reimbursements were not presented for audit and four of the Request for Reimbursements had inaccurate or no supporting documentation.

Period of Performance

Testing for the Period of Performance compliance requirement could not be performed due to the lack of accurate Request for Reimbursements and the lack of supporting documentation.

Eligibility

The Title I Director had the sole responsibility for preparing and submitting the grant applications. There was no segregation of duties such as an oversight, review, or approval process to ensure the applications were complete and accurate.

The supporting documentation for the eligibility summary included in the grant applications for the 2015 and 2016 fiscal years were not retained or presented for audit.

Context

This was a systemic problem, occurring throughout the entire 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. . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
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's management had not developed a system of internal controls, including segregation of duties, that would have ensured that the School Corporation maintained and provided adequate supporting documentation relating to the Reporting, Cash Management, Period of Performance, and Eligibility compliance requirements.

Effect

The failure to maintain and provide adequate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting, Cash Management, Period of Performance, and Eligibility compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that adequate documentation will be maintained for audit relating to the Reporting, Cash Management, Period of Performance, and Eligibility compliance requirements.

Views of Responsible Officials

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

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

FINDING 2016-007

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): 14213-24-PN01, 14214-24-PN01,
14215-24-PN01, 14216-24-PN01,
99914-24-PN01, 45714-24-PN01,
45715-24-PN01, 45716-24-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit regarding internal controls over reporting. The prior audit finding number was 2014-002.

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 School Corporation had not implemented an oversight, review, or approval process to ensure the reports submitted were accurate.

The School Corporation did not maintain supporting documentation for the required Child Count reports submitted to the Indiana Department of Education in both years of the audit period.

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 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). . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(a) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. . . ."

34 CFR 76.731 states: "A State and a subgrantee shall keep records to show its compliance with program requirements."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

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. 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.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management develop and implement procedures and establish controls 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 2016-008

Subject: Special Education Cluster (IDEA) - 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): 14214-24-PN01, 14215-24-PN01,
14216-24-PN01, 99914-24-PN01,
45715-24-PN01, 45716-24-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a member school corporation of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grants. There was no oversight of the Cooperative by the School Corporation. Each member school corporation was ultimately responsible for ensuring compliance with the requirements.

The School Corporation had not established an internal control system to ensure compliance with the Allowable Costs/Cost Principles compliance requirement. The School Corporation failed to keep the necessary documentation relating to time and effort reporting. For those employees that were paid entirely from the special education program, the School Corporation did not complete Semi-Annual Certifications.

Context

There were no Semi-Annual Certifications completed during the audit period.

Criteria

OMB Circular A-87, Attachment B, Section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

2 CFR 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured the School Corporation complied with the Allowable Costs/Cost Principles compliance requirement relating to time and effort reporting.

Effect

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

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles 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 2016-009

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): 14214-24-PN01, 14215-24-PN01,
14216-24-PN01, 99914-24-PN01,
45715-24-PN01, 45716-22-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 school corporation of the Greene-Sullivan 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 requirements.

An effective internal control system was not in place 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 program prior to entering into a contract with them.

Context

The Cooperative did not verify that vendors were not suspended or debarred prior to awarding the contracts with 100 percent of applicable vendors for the entire audit period.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR 180.300 states:

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

You do this by:

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

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 section 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the procurement and suspension and debarment requirements.

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.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish controls and implement procedures to monitor the Cooperative to ensure compliance with the grant agreement and the procurement and suspension and debarment 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.

FINDING 2016-010

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 Years (or Other Identifying Numbers): 14213-24-PN01, 14214-24-PN01,
14215-24-PN01, 14216-24-PN01,
99914-24-PN01, 45714-24-PN01,
45715-24-PN01, 45716-24-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

The School Corporation was a member of the Greene-Sullivan Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. The School Corporation was responsible for maintaining documentation for level of effort reported in the application.

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Level of Effort - Maintenance of Effort compliance requirement.

The School Corporation did not comply with the Level of Effort - Maintenance of Effort (MOE) compliance requirement. The MOE calculation portion of the grant applications, "16 MOE Calculator" and "17 MOE Calculator," did not agree to the financial information and the child count documentation presented for audit. The amounts reported for MOE were not supported by the School Corporation's records.

Context

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

WHITE RIVER VALLEY SCHOOL DISTRICT
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). . . ."

34 CFR 80.20 states in part:

"(a) A State must expend and account for grant funds in accordance with State laws and procedures for expending and accounting for its own funds. Fiscal control and accounting procedures of the State, as well as its subgrantees and cost-type contractors, must be sufficient to:

- (1) Permit preparation of reports required by this part and the statutes authorizing the grant, and
- (2) Permit the tracing of funds to a level of expenditures adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of applicable statutes.

(b) The financial management systems of other grantees and subgrantees must meet the following standards:

- (1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . ."

- (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

34 CFR 76.702 states: "A State and a subgrantee shall use fiscal control and fund accounting procedures that insure proper disbursement of and accounting for Federal funds."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

34 CFR 299.5(a) states:

"*General.* An LEA receiving funds under an applicable program listed in paragraph (b) of this section may receive its full allocation of funds only if the SEA finds that either the combined fiscal effort per student or the aggregate expenditures of State and local funds with respect to the provision of free public education in the LEA for the preceding fiscal year was not less than 90 percent of the combined fiscal effort per student or the aggregate expenditures for the second preceding fiscal year."

Cause

Management had not developed a system of internal controls that would have ensured that the School Corporation complied with the Level of Effort 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 related to the grant agreement and the Level of Effort 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 2016-011

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): FY 2015, FY 2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Program Income
Audit Findings: Material Weakness, Modified Opinion

Condition

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

There were no procedures established to ensure that the receipts of the Child Nutrition Cluster programs were handled properly in accordance with the Program Income compliance requirement.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

The School Corporation established a single fund, the School Lunch fund, to account for all activity of the food service programs. The School Corporation also maintained individual accounts for students who prepaid for meals. When prepaid funds were received, they were receipted into the School Lunch fund as revenue, with no distinction between the prepaid accounts and the program income generated from the food service programs.

Context

The lack of controls was a systemic problem throughout the audit period. The School Corporation's procedures for recording revenues in the School Lunch fund prevented the ability to determine whether the School Corporation was in compliance with the Program Income compliance requirement.

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). . . ."

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 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 220.7 states in part:

"(e) 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; . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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 Administrator and Uniform Compliance Guidelines, Volume 183)

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured program income was properly identified.

Effect

The failure to establish a system of internal controls that would have ensured that program income was properly identified prevented the determination of the School Corporation's compliance with the Program Income compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure program income will be properly identified.

Views of Responsible Officials

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

FINDING 2016-012

Subject: Child Nutrition Cluster - Cash Management, Reporting
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 2015, FY 2016
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Reporting
Audit Finding: Material Weakness

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 following compliance requirements: Cash Management and Reporting.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Cash Management

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 in compliance with cash management requirements. There was no oversight, review, or monitoring of the cash balances (net cash resources).

Reporting

Monthly Sponsor Claims (claims for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were completed by one individual without the oversight or review by another individual.

Context

The lack of properly designed and implemented controls occurred throughout the entire audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not established and implemented an effective system of internal controls that would have ensured compliance with the grant agreement and the Cash Management and Reporting 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 Cash Management and Reporting compliance requirements.

WHITE RIVER VALLEY SCHOOL DISTRICT
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 Cash Management and Reporting 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 2016-013

Subject: Child Nutrition Cluster - Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)

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 2015, FY 2016

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Verification of
Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Modified Opinion

Condition

An effective internal control system was not in place at the School Corporation to ensure that verification of free and reduced price applications was completed and that the supporting documentation of the verification process was retained and available for audit. There was no segregation of duties, such as an oversight, review, or approval process.

The School Food Authority (SFA) Verification Collection Reports for the audit period indicated that three applications were to be verified each year; however, documentation supporting the review process and the verification activities was not available for audit. Additionally, documentation indicating what actions were taken as a result of the verifications was not available.

Context

It could not be determined whether the verification process was correctly performed for either year of 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. . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
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 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

(4) Currently approved and denied certification documentation for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title; . . ."

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. . ."

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."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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

Management of the School Corporation had not developed a system of internal controls that would have ensured that verification of free and reduced price applications was completed and that the supporting documentation of the verification process was retained and available for audit.

Effect

The failure to establish a system of internal controls prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish a system of internal controls over the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement and implement procedures that would ensure that records will be retained and available for audit.

Views of Responsible Officials

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

WHITE RIVER VALLEY SCHOOL DISTRICT

"Home of the Wolverines"

Mr. Robert M. Hacker, Superintendent
Mrs. Jayne Kaho, Treasurer
Mrs. Michelle Emmons, Payroll

5644 West State Road 54
PO Box 1470
Swift City, Indiana 47465

Board of Education
Mr. David Reed, President
Mr. Joe Dacker, VP
Mr. Andy Davis, Secretary
Mr. Jason Davidson
Mr. Brock Hostetter
Mr. Roger Shaka
Mr. Bruce Porter

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Jayne Kaho
Contact Phone Number: 812 659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Audit adjustments were proposed by SBOA and the adjustments were made to SEFA.

The Corporation continues to obtain information to properly identify, appropriately track, and report Federal Grants. CFDA numbers are being listed on fund numbers in our financial software. Further education through local school treasurer meetings, online and written publications, IASBO and SBOA training workshops will continue to be pursued as a means to bring accuracy to SEFA reporting. The Corporation Treasurer will also work with the Corporation Superintendent to establish an internal control for reviewing and approving the financial data before it is submitted formally for the corporation

Anticipated Completion Date: August 2018

FINDING 2016-002

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Administrator
Contact Phone Number : 812-875-3839

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation management will establish controls to ensure compliance and will comply with the procurement compliance requirement. The school corporation's procurement policy will be reviewed by administration. An individual will obtain quotes for large purchases and a second individual will sign off on the quotes and the quotes will be kept on file as documentation.

Anticipated Completion Date: July 2018

FINDING 2016-003

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Administrator

Contact Phone Number: 812-875-3839

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School corporation management will improve internal controls to ensure compliance with the grant agreement and the compliance requirement for Allowable Costs/Cost Principles and Allowable and Unallowable Activities. Title I director of Principal will sign all Title I employees Time Sheets and ensure Time and Effort Logs are completed and filed for split funded staff members.

Anticipated Completion Date: Fiscal Year 2017-18

FINDING 2016-004

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Administrator

Contact Phone Number: 812-875-3839

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Schoolwide Plan was created and evaluated by the Title I Director and the Superintendent will sign off on the Plan and to be kept on file by the Title I Director.

Anticipated Completion Date: Fiscal Year 2017-18

FINDING 2016-005

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Administrator
Contact Phone Number: 812-875-3839

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation management will improve internal controls to ensure compliance with the grant agreement and the compliance requirement for Special Tests and Provisions - Assessment System Security. School Corporation management will retain proper documentation to prove compliance.

Anticipated Completion Date: July 2018

FINDING 2016-006

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Administrator
Contact Phone Number: 812-875-3839

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation management will improve internal controls to ensure compliance with the grant agreement and the compliance requirement areas of Reporting, Cash Management, Period of Performance, and Eligibility. Title I Director or Principal will ensure Time and Effort Logs are completed and filed for split funded staff members. School Management will retain supporting documentation of ADM and poverty figures for the State Per Pupil Expenditure Report.

Anticipated Completion Date: July 2018

FINDING 2016-007

Contact Person Responsible for Corrective Action: Jayne Kaho, Treasurer
Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation management will work with Greene-Sullivan Special Ed Co-op to maintain child count reports and establish internal controls. The Superintendent will review and approve the reports for accuracy.

Anticipated Completion Date: July 2018

FINDING 2016-008

Contact Person Responsible for Corrective Action: Jayne Kaho, Treasurer
Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation and Greene-Sullivan Special Ed Co-op has established internal controls to ensure compliance with allowable Costs/Cost Principles. Greene-Sullivan has established the necessary documentation for time and effort reporting including names. The reporting will be shared with school corporation.

Anticipated Completion Date: July 2018

FINDING 2016-009

Contact Person Responsible for Corrective Action: Jayne Kaho, Treasurer
Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation will work with the Greene-Sullivan Special Ed Co-op to establish internal controls that will ensure the Co-op is in compliance with the Procurement, Suspension and Debarment requirement concerning the approval of contracts only after verifying the vendors were not suspended or debarred.

Anticipated Completion Date: July 2018

FINDING 2016-010

Contact Person Responsible for Corrective Action: Jayne Kaho, Treasurer
Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation treasurer will work with the person responsible for filing special education reports with the state, to establish a segregation of duties with regards to Matching, Level of Effort, and Earmarking. Maintenance of Effort supporting documentation will be obtained and retained to substantiate the state and local expenditures and student counts. The information will then be submitted to the Superintendent for review and approval prior to submission to the Greene-Sullivan Special Ed Co-op.

Anticipated Completion Date: July 2018

FINDING 2016-011

Contact Person Responsible for Corrective Action: Jayne Kaho, Renee Wiggington
Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Lunch money receipts will be deposited into Fund 8400. The Food Service Coordinator will give the Corporation Treasurer the amount of receipts each month that should be transferred from Fund 8400 to Fund 800, by compiling data on daily line reports of the amount to be transferred out of the prepaid lunch monies.

Anticipated Completion Date: Effective immediately.

FINDING 2016-012

Contact Person Responsible for Corrective Action: Jayne Kaho, Renee Wiggington
Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:
Cash Management:

Reporting:

The School Corporation's management will establish controls related to the grant agreement and the Cash Management requirement.

Monthly Reporting Claims (reimbursement claims) and School Food Authority Verification Collection Reports will be prepared by the Food Service Coordinator and reviewed by the Corporation Treasurer or Superintendent before submitting the claim to the DOE. The Annual Financial Report will be prepared by the Corporation Treasurer and Food Service Coordinator and reviewed by the Superintendent before submitting it to the DOE.

Anticipated Completion Date: Effective Immediately

FINDING 2016-013

Contact Person Responsible for Corrective Action: Renee Wiggington
Contact Phone Number: 812-659-2274

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The ECA Treasurer at each building will process the Free & Reduced Lunch Applications for his/her building. The Food Service Coordinator will review the applications for errors and verify the required applications. Applications that are pulled for verification will be retained separately from the non-verified applications, and all correspondence with the household pertaining to verification will be filed and recorded with the application.

Anticipated Completion Date: Corrected in 2017

Jayne A. Kaho
(Signature)
Corporation Treasurer
(Title)

WHITE RIVER VALLEY SCHOOL DISTRICT
AUDIT RESULTS AND COMMENTS

ADOPTION OF INTERNAL CONTROL STANDARDS

The personnel of the School Corporation did not receive training concerning the internal control standards and procedures defined by the Indiana State Board of Accounts and adopted by the School Board.

Indiana 5-11-1-27(g) states:

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

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

OVERDRAWN CASH BALANCE

The same comment also appeared in prior Report B46733.

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following fund with an overdrawn cash balance at June 30, 2016:

Fund	Amount Overdrawn
School Lunch	\$ 72,041

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

WHITE RIVER VALLEY SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on June 26, 2018, with Dr. Robert M. Hacker, Superintendent of Schools; Jayne Kaho, Treasurer; Renee C. Wiggington, School Lunch Director; David Reed, President of the School Board; and Michelle Emmons, Deputy Treasurer.