

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY SCHOOL DISTRICT 2

SCOTT COUNTY, INDIANA

July 1, 2014 to June 30, 2016



**FILED**  
09/06/2018



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Federal Findings:	
Finding 2016-001 - Preparation of the Schedule of Expenditures of Federal Awards .....	4-6
Finding 2016-002 - Child Nutrition Cluster - Allowable Costs/Cost Principles, Eligibility, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) .....	6-8
Finding 2016-003 - School Breakfast Program, National School Lunch Program - Cash Management.....	8-9
Finding 2016-004 - Child Nutrition Cluster - Procurement and Suspension and Debarment .....	10-12
Finding 2016-005 - Child Nutrition Cluster - Reporting .....	12-14
Finding 2016-006 - National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity .....	14-15
Finding 2016-007 - Title I Grants to Local Educational Agencies - Procurement, Reporting.....	16-17
Finding 2016-008 - Title I Grants to Local Educational Agencies, Twenty-First Century Community Learning Centers Program, Improving Teacher Quality State Grants - Special Tests and Provisions - Schoolwide Programs .....	17-20
Finding 2016-009 - Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability .....	20-21
Finding 2016-010 - Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate .....	22-24
Finding 2016-011 - Title I Grants to Local Educational Agencies - Special Tests and Provisions - Assessment System Security.....	24-26
Finding 2016-012 - Improving Teacher Quality State Grants - Period of Performance .....	26-27
Finding 2016-013 - AmeriCorps - Internal Controls.....	28-30
Finding 2016-014 - AmeriCorps - Reporting .....	30-31
Corrective Action Plan.....	32-37
Exit Conference.....	38

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Melinda Sparkman	07-01-14 to 12-31-18
Superintendent of Schools	Dr. Marc Slaton	07-01-14 to 06-30-19
President of the School Board	Jason Kendall	07-01-14 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 2, SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of the Scott County School District 2 (School Corporation), for the period from July 1, 2014 to June 30, 2016. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

August 23, 2018

SCOTT COUNTY SCHOOL DISTRICT 2  
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 of Finding 2014-001 from the immediately prior audit.

*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). No evidence was presented for audit that indicated someone other than the person entering the federal grant information into the Indiana Gateway for Government Units was reviewing the information for accuracy.

*Context*

The SEFA contained the following errors:

1. Twenty-one grants were omitted, resulting in an understatement of expenditures in the amount of \$2,652,222.
2. Four state grants were incorrectly reported, resulting in an overstatement of expenditures in the amount of \$104,254.
3. Twelve grants were incorrectly reported, resulting in an overstatement of expenditures in the amount of \$781,942.
4. Only one grant reported the CFDA number.
5. All grants were incorrectly reported as direct grants and, therefore, did not properly identify the pass-through agency.

The net amount of errors resulted in an understatement of federal expenditures in the amount of \$1,766,026.

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:

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

"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. . . ."

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."

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*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 related to the preparation of the SEFA.

*Views of Responsible Officials*

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

**FINDING 2016-002**

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles, Eligibility, Program Income, 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,  
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

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

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Allowable Costs/Cost Principles, Eligibility, Program Income, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Findings 2014-003, 2014-004, and 2014-006 from the immediately prior audit.

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Allowable Costs/Cost Principles, Eligibility, Program Income, and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

*Allowable Costs/Cost Principles*

The School Corporation had not designed and implemented internal controls to ensure that the School Corporation expended funds for allowable costs of the programs. Procedures had not been implemented to require employees compensated from multiple costs objectives to document the hours worked on each cost objective.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Eligibility*

The School Corporation had not designed or implemented adequate procedures to ensure compliance with Eligibility requirements. The same individual was responsible for entering eligibility income guidelines, inputting the individual student's free and reduced price application information into the computer system, and performing verifications of the applications.

*Program Income*

The School Corporation had not designed internal controls to ensure that financial activity derived from student meals were properly recorded in the School Lunch fund. The School Corporation had not separated incompatible duties associated with program income derived from the sale of meals. The same person was responsible for recording monies collected, recording receipts, collecting and depositing funds, and recording adjustments.

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

The School Corporation had not designed or implemented adequate control procedures to ensure that the verifications for free and reduced price applications were reviewed. There was no segregation of duties, such as an oversight, review or approval process over compliance with the verification of free and reduced price application requirements.

*Context*

This was a systemic problem 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 developed a system of internal controls that segregated key functions.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2016-003**

Subject: School Breakfast Program, National School Lunch Program - Cash Management  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
CFDA Numbers: 10.553, 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Cash Management  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-005 from the immediately prior audit.

*Condition*

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 Cash Management compliance requirement.

The monthly cash balance (net cash resources) for the School Lunch fund exceeded the three months average expenditures for 4 of the 24 months during the audit period.

*Context*

Although the noncompliance was limited to the months of July 2014, August 2014, June 2015, and June 2016, the lack of controls was a systemic problem, which occurred throughout the audit period.

SCOTT COUNTY SCHOOL DISTRICT 2  
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). . . ."

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

7 CFR 220.7(e) states in part:

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

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

*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 a 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 related to the grant agreement and the Cash Management compliance requirement.

*Views of Responsible Officials*

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

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

**FINDING 2016-004**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Procurement and Suspension and Debarment  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-014 from the immediately prior audit relating to the suspension and debarment requirements.

*Condition*

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 require that an adequate number of quotes be obtained for small purchases with estimated costs above \$3,500. Several purchases of like-kind items exceeding \$3,500 were made without an adequate number of price or rate quotations being obtained.

A monitoring or review process had not been established to ensure that the vendors selected for procured products were not suspended or debarred from participation in federal programs. There were six instances of vendors being paid at least \$25,000 during the audit period in which verification to ensure the vendor was not suspended or debarred was not performed.

*Context*

The lack of obtaining an adequate number of price or rate quotations was a systemic problem throughout 2016 fiscal year.

Procedures and policies to ensure that vendors had not been suspended or debarred from participating in federal programs were not in place 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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
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 200.320 states in part:

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

(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. . . ."

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

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 compliance with the Procurement and Suspension and Debarment compliance requirement.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in a 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 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.

**FINDING 2016-005**

Subject: Child Nutrition Cluster - Reporting  
Federal Agency: Department of Agriculture  
Federal Programs: School Breakfast Program, National School Lunch Program,  
Summer Food Service Program for Children  
CFDA Numbers: 10.553, 10.555, 10.559  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Reporting  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-007 from the immediately prior audit.

*Condition*

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 Reporting compliance requirement.

The amounts reported for food expense and miscellaneous expense within the expense section of the Annual Financial Report (AFR) for the 2014-2015 program year did not agree with the School Corporation's financial records. The beginning and ending balances reported in the account balance section of the AFR did not agree with the balances of the School Lunch fund per the fund report.

The amounts reported under the income section of the AFR for the 2015-2016 program year did not agree with the School Corporation's Revenue History Reports. The beginning and ending balances reported in the account balance section of the AFR did not agree with the balances of the School Lunch fund per the fund report.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Context*

The lack of controls and noncompliance was a systemic problem 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). . . ."

7 CFR 3016.20(b)(1) states: "*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 states in part: ". . . (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 a loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement 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 2016-006**

Subject: National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity  
Federal Agency: Department of Agriculture  
Federal Program: National School Lunch Program  
CFDA Number: 10.555  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 14-15, FY 15-16  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity  
Audit Findings: Material Weakness, Other Matters

*Repeat Finding*

This is a repeat of Finding 2014-008 from the immediately prior audit.

*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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

No controls were in place to ensure that the School Corporation performed price calculations and retained records of these calculations. Paid lunch equity price calculations were not presented for audit in order to be able to determine compliance with program requirements.

*Context*

This was a systemic problem 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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
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*

Management of the School Corporation had not developed a system of internal controls to ensure that supporting documentation was maintained and made available for audit relating to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

*Effect*

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that future documentation is retained and made available for audit relating to the grant agreement 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.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-007***

Subject: Title I Grants to Local Educational Agencies - Procurement, Reporting  
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): 14-7255, 15-7255, 16-7255  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Procurement and Suspension and Debarment, Reporting  
Audit Finding: Material Weakness

*Repeat Finding*

This is a repeat of Finding 2014-010 from the immediately prior audit relating to reporting.

*Condition*

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 Reporting compliance requirements.

The School Corporation did not have proper controls in place to ensure that an adequate number of quotes were obtained for small purchases with estimated costs above \$3,500.

The Treasurer/Business Manager was responsible for the preparation and submission of the Final Annual Expenditure Reports. There were no controls in place to ensure the accuracy and completeness of those reports. No one other than the preparer of the reports was reviewing the reports prior to submission.

*Context*

The lack of controls to ensure compliance with the purchasing methods was a systemic issue with award number 16-7255.

The lack of controls over the Final Annual Expenditure Reports was a systemic issue throughout the audit period.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

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

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Procurement 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 Procurement and Reporting compliance requirements.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2016-008**

Subject: Title I Grants to Local Educational Agencies, Twenty-First Century Community Learning Centers Program, Improving Teacher Quality State Grants - Special Tests and Provisions - Schoolwide Programs

Federal Agency: Department of Education

Federal Programs: Title I Grants to Local Educational Agencies, Twenty-First Century Community Learning Center Program, Improving Teacher Quality State Grants

CFDA Numbers: 84.010, 84.287, 84.367

Federal Award Numbers and Years or (Other Identifying Numbers): 14-7255, 15-7255, 16-7255, A58-5-15-DL-2114, A58-5-16-DL-3062, 12-7255, 13-7255, 14-7255, 15-7255, A58-4-14CL-1980, A58-5-15CL-2470

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Special Tests and Provisions - Schoolwide Programs

Audit Findings: Material Weakness, Other Matters

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Condition*

Management of the School Corporation did not have an effective internal control system in place to ensure compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Programs compliance requirement. Documentation was not presented for audit to verify that the schools operating a schoolwide program included the following required core elements:

1. Comprehensive needs assessment.
2. Comprehensive plan.
3. Annual evaluation of the schoolwide program.

*Context*

The lack of controls was a systemic problem throughout the entire audit period and prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Schoolwide Programs 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). . . ."

34 CFR 200.26 states:

"(a) *Comprehensive needs assessment.*

- (1) A school operating a schoolwide program must conduct a comprehensive needs assessment of the entire school that—
  - (i) Is based on academic achievement information about all students in the school, including all groups under § 200.13(b)(7) and migratory children as defined in section 1309(2) of the ESEA, relative to the State's academic standards under § 200.1 to—

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

- (A) Help the school understand the subjects and skills for which teaching and learning need to be improved; and
  - (B) Identify the specific academic needs of students and groups of students who are not yet achieving the State's academic standards; and
- (ii) Assesses the needs of the school relative to each of the components of the schoolwide program under § 200.28.
- (2) The comprehensive needs assessment must be developed with the participation of individuals who will carry out the schoolwide program plan.
  - (3) The school must document how it conducted the needs assessment, the results it obtained, and the conclusions it drew from those results.
- (b) *Comprehensive plan.* Using data from the comprehensive needs assessment under paragraph (a) of this section, a school that wishes to operate a schoolwide program must develop a comprehensive plan, in accordance with § 200.27, that describes how the school will improve academic achievement throughout the school, but particularly for those students furthest away from demonstrating proficiency, so that all students demonstrate at least proficiency on the State's academic standards.
- (c) *Evaluation.* A school operating a schoolwide program must—
- (1) Annually evaluate the implementation of, and results achieved by, the schoolwide program, using data from the State's annual assessments and other indicators of academic achievement;
  - (2) Determine whether the schoolwide program has been effective in increasing the achievement of students in meeting the State's academic standards, particularly for those students who had been furthest from achieving the standards; and
  - (3) Revise the plan, as necessary, based on the results of the evaluation, to ensure continuous improvement of students in the schoolwide program."

*Cause*

Management had not developed a system of internal controls to ensure that documentation was maintained to support compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement.

*Effect*

The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Schoolwide Programs compliance requirement. The failure to establish an effective internal control system could have enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement that have a direct and material effect to the programs could result in the loss of federal funds to the School Corporation.

*Questioned Costs*

There were no questioned costs identified.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that documentation is maintained to support its compliance with the grant agreement and the Special Tests and Provisions - Schoolwide Program compliance requirements.

*Views of Responsible Officials*

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

**FINDING 2016-009**

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Comparability  
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): 14-7255, 15-7255, 16-7255  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Comparability  
Audit Findings: Material Weakness, Modified Opinion

*Repeat Finding*

This is a repeat of Finding 2014-011 from the immediately prior audit.

*Condition*

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 Special Tests and Provisions - Comparability compliance requirement.

The School Corporation had not designed or implemented internal controls to ensure comparability information was properly reported and supporting documentation was retained to support figures used in the calculation. The number of full-time equivalency staff and a comparison between local services provided to each school could not be verified.

*Context*

This lack of controls was a systemic issue throughout the audit period that prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Comparability 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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
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 that would have ensured that records related to the Special Tests and Provisions - Comparability compliance requirement were maintained and made available for audit.

*Effect*

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Comparability compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish effective controls to ensure supporting documentation related to the Special Tests and Provisions - Comparability compliance requirement is maintained for audit.

*Views of Responsible Officials*

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

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-010***

Subject: Title I Grants to Local Educational Agencies - Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
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): 14-7255, 15-7255, 16-7255  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Annual Report Card, High School Graduation Rate  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

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 Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

The 2015 and 2016 Graduation Cohort Status Reports were not presented for audit. Therefore, we were unable to test students listed as mobile on the reports and determine if the School Corporation was in compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Context*

This was a systemic issue throughout the audit period.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

34 CFR 200.19(b) states in part:

"High schools—

- (1) *Graduation rate.* Consistent with paragraphs (b)(4) and (b)(5) of this section regarding reporting and determining AYP, respectively, each State must calculate a graduation rate, defined as follows, for all public high schools in the State:

(i)(A) A State must calculate a 'four-year adjusted cohort graduation rate,' defined as the number of students who graduate in four years with a regular high school diploma divided by the number of students who form the adjusted cohort for that graduating class . . .

(ii) The term 'adjusted cohort' means the students who enter grade 9 (or the earliest high school grade) and any students who transfer into the cohort in grades 9 through 12 minus any students removed from the cohort.

(A) The term 'students who transfer into the cohort' means the students who enroll after the beginning of the entering cohort's first year in high school, up to and including in grade 12.

(B) To remove a student from the cohort, a school or LEA must confirm in writing that the student transferred out, emigrated to another country, or is deceased.

(1) To confirm that a student transferred out, the school or LEA must have official written documentation that the student enrolled in another school or in an educational program that culminates in the award of a regular high school diploma. . . .

- (2) *Transitional graduation rate.*

(i) Prior to the deadline in paragraph (b)(4)(ii)(A) of this section, a State must calculate graduation rate as defined in paragraph (b)(1) of this section or use, on a transitional basis—

(A) A graduation rate that measures the percentage of students from the beginning of high school who graduate with a regular high school diploma in the standard number or years; or . . .

(ii) For a transitional graduation rate calculated under paragraph (b)(2)(i) of this section—

(A) 'Regular high school diploma' has the same meaning as in paragraph (b)(1)(iv) of this section;

(B) 'Standard number of years' means four years unless a high school begins after ninth grade, in which case the standard number of years is the number of grades in the school; and

(C) A dropout may not be counted as a transfer. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured that documentation related to the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement was maintained and made available for audit.

*Effect*

The failure to retain appropriate documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish effective controls to ensure supporting documentation related to the Special Tests and Provisions - Annual Report Card, High School Graduation Rate compliance requirement is maintained for audit.

*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: 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): 14-7255, 15-7255, 16-7255  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirement: Special Tests and Provisions - Assessment System Security  
Audit Findings: Material Weakness, Modified Opinion

*Condition*

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Assessment System Security compliance requirement. Indiana Testing and Integrity Agreements for any individual who administered, handled, or had access to secure test materials at the district or school level were not maintained for audit. Therefore, compliance with this requirement could not be determined.

*Context*

The lack of documentation that individuals had been properly trained on the assessment system security was a systemic issue throughout the audit period.

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

The Indiana Assessment Program Manual, Chapter 13, Section 9, Part A states in part: ". . . School Corporation, accredited nonpublic school, charter school, and Choice school administrators must develop, implement and assess procedures for the secure storage, administration and delivery of standardized test books back to the IDOE via the test contractor."

Indiana Assessment Program Manual, Chapter 13, 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. . . ."

Scott County School District 2 Bylaws & Policies 2623.01 -  
Test Security for Statewide Assessments policy states:

"Any individual who administers, handles, or has access to secure test materials at the Corporation or school shall complete assessment training and shall annually sign no later than the last day of September a Testing Security and Integrity Agreement, which shall remain on file in the appropriate Corporation-level office for a period of no fewer than three years. Training shall be provided at the building level by the Corporation Test Coordinator (CTC) (or designee), who has completed the required IDOE-provided training."

*Cause*

The School Corporation's management had not developed a system of internal controls that would have ensured documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement was maintained and made available for audit.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to retain or provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Special Tests and Provisions - Assessment System Security compliance requirement.

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish controls to ensure that supporting documentation related to the Special Tests and Provisions - Assessment System Security compliance requirement is maintained for audit.

*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: Improving Teacher Quality State Grants - Period of Performance

Federal Agency: Department of Education

Federal Program: Improving Teacher Quality State Grants

CFDA Number: 84.367

Federal Award Numbers and Years (or Other Identifying Numbers): 12-7255, 13-7255,  
14-7255, 15-7255,  
A58-4-14CL-1980,  
A58-5-15CL-2470

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Period of Performance

Audit Finding: Material Weakness

*Condition*

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 Period of Performance compliance requirement.

Controls had been established that all claims were reviewed and approved by the School Board and that reimbursement requests prepared by the Treasurer were reviewed and approved by the Superintendent of Schools prior to submission to the state. However, during the review of the claims and reimbursement requests, period of performance was not being considered in all instances, which resulted in some grants being overspent and subsequent adjustments being made.

*Context*

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

SCOTT COUNTY SCHOOL DISTRICT 2  
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). . . ."

*Cause*

Management had not effectively implemented a system of internal controls to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of material noncompliance with the grant agreement and the Period of Performance compliance requirement.

*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 Period of Performance compliance requirement.

*Views of Responsible Officials*

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

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

***FINDING 2016-013***

Subject: AmeriCorps - Internal Controls

Federal Agency: Corporation for National and Community Service

Federal Program: AmeriCorps

CFDA Number: 94.006

Federal Award Numbers and Years (or Other Identifying Numbers): F20-4-13-AF-08,  
12ADHIN0010012,  
13FXIN001

Pass-Through Entity: Indiana Department of Workforce Development

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash  
Management; Eligibility; Matching, Level of Effort, Earmarking;  
Period of Performance

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:

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

The School Corporation entered into a Memorandum of Understanding with Scott County Partnership, Inc., to administer the AmeriCorps program. The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure disbursements paid by Scott County Partnership, Inc., on behalf of the School Corporation were for activities allowed and allowable costs of the program.

*Cash Management*

The School Corporation entered into a Memorandum of Understanding with Scott County Partnership, Inc., to administer the AmeriCorps program. The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure disbursements were paid by Scott County Partnership, Inc., on behalf of the School Corporation prior to the reimbursement request being submitted to the pass-through agency.

*Eligibility*

The School Corporation entered into a Memorandum of Understanding with Scott County Partnership, Inc., to administer the AmeriCorps program. The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure Scott County Partnership, Inc., had properly verified that the members serving under the AmeriCorps program met the eligibility guidelines.

*Matching, Level of Effort, Earmarking*

The School Corporation entered into a Memorandum of Understanding with Scott County Partnership, Inc., to administer the AmeriCorps program. The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure the matching requirement per the grant agreements were met and the amount charged for administrative costs of the grant did not exceed the allowable amount.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Period of Performance*

The School Corporation entered into a Memorandum of Understanding with Scott County Partnership, Inc., to administer the AmeriCorps program. The School Corporation had not designed or implemented adequate controls, policies, or procedures to ensure the disbursements paid from the AmeriCorps program funds were incurred within the period of performance outlined in the grant agreements.

*Context*

The lack of controls to ensure compliance with the requirements of the AmeriCorps program were a systemic issue throughout the audit period.

*Criteria*

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

The School Corporation's 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 agreement and the compliance requirements. A lack of segregation of duties within an internal control system could have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

SCOTT COUNTY SCHOOL DISTRICT 2  
FEDERAL FINDINGS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish controls related to the grant agreement and the compliance requirements listed above.

*Views of Responsible Officials*

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

**FINDING 2016-014**

Subject: AmeriCorps - Reporting

Federal Agency: Corporation for National and Community Service

Federal Program: AmeriCorps

CFDA Number: 94.006

Federal Award Numbers and Years (or Other Identifying Numbers): F20-4-13-AF-08,  
12AFHIN0010012,  
13FXHIN001

Pass-Through Entity: Indiana Department of Workforce Development

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

*Condition*

Management of the School Corporation had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement. The School Corporation had a Memorandum of Understanding with the Scott County Partnership, Inc., to administer the AmeriCorps grant. Personnel from the School Corporation were not monitoring the Scott County Partnership, Inc., to ensure compliance with the reporting requirements.

Supporting documentation provided for audit did not support the amounts reported on the 2013-2014 final aggregate report and the 2014-2015 and 2015-2016 semiannual aggregate reports.

*Context*

The lack of controls and lack of documentation to support the semiannual and final aggregate reports were systemic problems 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. . . ."

SCOTT COUNTY SCHOOL DISTRICT 2  
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 3016.20(b)(1) states: "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 states in part: ". . . (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 would have ensured compliance with the Reporting compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and 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 related to the grant agreement and the Reporting compliance requirement.

*Views of Responsible Officials*

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



Scott County School District 2

CORRECTIVE ACTION PLAN

**FINDING 2016-001**

Contact Person Responsible for Corrective Action: Christy Corum

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

The listing of federal awards will be compared back to the Funds Report from the accounting system. This will be used as a checklist to compare to the listing of federal awards listed in the Schedule of Expenditures of Federal Awards (SEFA)

Anticipated Completion Date: August 2018

**FINDING 2016-002**

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan: An internal control systems have been established and put into place. Segregation of duties has been established. Student Service Clerk will be double checking on the free and reduced applications and verification and helping in getting people to respond. On allowable cost, a log of hours worked for food service is being documented and signed off by business manager. Lunch money is collected daily then counted by two people, signed off on then deposited at the bank. Cafeteria Managers then turn in deposits slips to Student Service Clerk. The Student Service Clerk then records deposits.

Anticipated Completion Date: August 2018

Dr. Marc Slaton, Superintendent  
Mr. Casey Brewster, Assistant Superintendent  
Ms. Melinda Sparkman, Business Manager

375 East McClain Avenue  
Scottsburg, IN 47170  
Phone: 812-752-8921  
Fax: 812-752-7592

**FINDING 2016-003**

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

Starting September 2016 a monthly report was provided by the Business Mgr to the Food Service Director that shows monthly expenses and revenue to monitor the cash balance. Starting in 2018-19 the Food Service Director will perform the calculation every quarter and the Business Manager will approve.

Anticipated Completion Date: August 2018

**FINDING 2016-004**

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director reviewed the requirements with the DOE Field Rep in Aug 2016. And she attending training in June 2018. All of our vendors are done through HPS (Hospital Purchasing Services), which approves the vendor per the DOE requirements. HPS requires suspension and debarment certification as part of their contract. The Food Service will obtain 3 quotes for purchases over \$3500 and verify that vendors are not or have not been suspended or disbarred from participation in federal programs.

The Food Service Director and Business Manager will ensure a Procurement Suspension and Debarment Compliance file is maintained and verification through cooperative purchasing agents or signed certification by vendors selected for procured products are updated annually.

Anticipated Completion Date: August 2018

**FINDING 2016-005**

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director met with the DOE Field Consultant in August 2016 and was trained on the completion of the Annual Financial Report. The Business Manager will review and sign the report as well when completed.

Anticipated Completion Date: August 2018

**FINDING 2016-006**

Contact Person Responsible for Corrective Action: Sue Hart

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

Scott 2 is currently using the PLE tool and will continue to analyze. This procedure is on the DOE School Nutrition website as well as other procedures. The Food Service Director monitors this site to ensure all procedures are performed and will maintain the calculations for review. The Business Manager will review and approve the calculations.

Anticipated Completion Date: August 2018

**FINDING 2016-007**

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

- A. Scott 2 will have two people (Superintendent, Title 1 Director or Business Manager) review and sign off on reimbursement requests, grant application and annual expenditure reports.
- B. An additional section will be added to PO Request forms requiring the presentation of three or more quotes for small purchases with estimated costs above \$3,500 or the signed acknowledgement of the requestor and the approver of estimated costs below \$3,500.
- C. Complete and accurate preparation and submission of the Final Annual Expenditure Report will be ensured by requiring sign off by at least two people (Superintendent, Title 1 Director or Business Manager).

Anticipated Completion Date:

- A. Starting in the 2016-17 school year
- B. August 2018
- C. August 2018

**FINDING 2016-008**

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

The following core elements will be completed and signed off by the Superintendent and Title I Director and kept on file in the office of the Title I Director each year:

- 1. Comprehensive needs assessment
- 2. Comprehensive plan
- 3. Annual evaluation of the schoolwide program

Anticipated Completion Date: August 2018

**FINDING 2016-009**

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

Scott 2 will ensure the comparability information is properly calculated and reported by having both the Title I Director and the Business Manager or Superintendent review and sign off on the biennial report. The Title I Director, Business Manager, and Superintendent are aware of the biennial report requirements. The documentation will be maintained in the Scott 2 Admin Office by the Title I Director.

Anticipated Completion Date: August 2016

**FINDING 2016-010**

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

A "Compliance Requirement Documents" checklist will be created and maintained by the Title I Director annually. The checklist and the folder containing all required documents will include the Annual Graduation Cohort Status Reports, as accessed through Indiana's Learning Connection.

Anticipated Completion Date: August 2018

**FINDING 2016-011**

Contact Person Responsible for Corrective Action: Casey Brewster

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

Administrative Guideline will be added to the appropriate district policy, **2623.01 - TEST SECURITY PROVISIONS FOR STATEWIDE ASSESSMENTS**, requiring the retention and delivery to the district central office all Indiana Testing and Integrity Agreements from each school building each year. This documentation will be reviewed and maintained at the central office for future use or review.

Anticipated Completion Date: August 2018

**FINDING 2016-012**

Contact Person Responsible for Corrective Action: Christy Corum

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

The Business Manager will establish separate fund numbers for the Improving Teacher Quality State Grants to ensure the correct period of performance is used. Also movement of expenses will be detailed by line item when and if moved from old grant to new.

Anticipated Completion Date: Starting in August 2018

**FINDING 2016-013**

Contact Person Responsible for Corrective Action: Christy Corum

Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

Scott 2 district staff have a meeting scheduled with the Scott County Partnership in late August to establish internal controls related to the grant agreement and the compliance requirements.

Anticipated Completion Date: December 2018

**FINDING 2016-014**

Contact Person Responsible for Corrective Action: Christy Corum

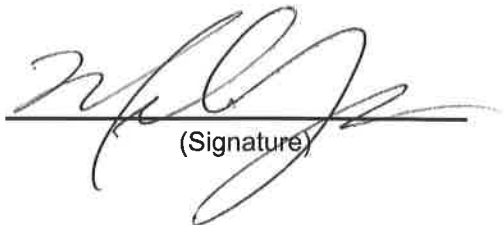
Contact Phone Number: 812-752-8921

Views of Responsible Official : We concur with the finding.

Description of Corrective Action Plan:

Scott 2 district staff have a meeting scheduled with the Scott County Partnership in late August to establish internal controls related to the grant agreement and the compliance requirements.

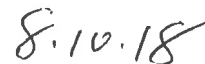
Anticipated Completion Date: December 2018



(Signature)

Business Manager

(Title)



(Date)

SCOTT COUNTY SCHOOL DISTRICT 2  
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2018, Dr. Marc Slaton, Superintendent of Schools; Melinda Sparkman, Treasurer; Ron Moore, School Board member; Christy C. Corum, incoming Treasurer; Sue E. Hart, District Food Service; and Casey Brewster, Assistant Superintendent of Schools.