

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTH DEARBORN COMMUNITY
SCHOOL CORPORATION
DEARBORN COUNTY, INDIANA

July 1, 2014 to June 30, 2016



FILED
10/17/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2016-001	
Financial Transactions and Reporting	4-5
Finding 2016-002	
Preparation of the Schedule of Expenditures of Federal Awards	5-7
Finding 2016-003	
Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).....	7-8
Finding 2016-004	
Child Nutrition Cluster - Allowable Costs/Cost Principles	9-10
Finding 2016-005	
Child Nutrition Cluster - Procurement and Suspension and Debarment	10-12
Finding 2016-006	
Child Nutrition Cluster - Cash Management, Eligibility, Reporting	12-13
Finding 2016-007	
National School Lunch Program - Special Tests and Provisions - Paid Lunch Equity	14-15
Finding 2016-008	
Title I Grants to Local Educational Agencies - Internal Controls	16-18
Finding 2016-009	
Title I Grants to Local Educational Agencies - Eligibility	18-20
Finding 2016-010	
Special Education Cluster (IDEA) - Reporting	20-21
Corrective Action Plan.....	22-31
Audit Result and Comment:	
Bank Account Reconciliations	32
Exit Conference.....	33

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Shawn Spindler	07-01-14 to 06-30-19
Superintendent of Schools	Dr. John Mehrle Eric Lows	07-01-14 to 06-30-18 07-01-18 to 06-30-19
President of the School Board	Gene Ferguson Bill Lane David Lusby Scott Willoughby	07-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE SOUTH DEARBORN COMMUNITY
SCHOOL CORPORATION, DEARBORN COUNTY, INDIANA

This report is supplemental to our audit report of the South Dearborn Community School Corporation (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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

September 13, 2018

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2016-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of finding 2014-001 from the immediately prior audit report.

Condition

There were the following deficiencies in the internal control system of the School Corporation related to financial transactions and reporting:

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to cash and investments and receipts. One employee received money, issued official receipts, prepared bank deposits, took deposits to the bank, posted receipts, approved adjustments, and was responsible for preparing bank reconciliations, without evidence of an oversight, review, or approval process.

Context

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

Criteria

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

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

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. . . ."

Cause

Management had not established a proper system of internal control over financial transactions and reporting.

Effect

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, to ensure that financial transactions and balances are properly reported.

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: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of finding 2014-002 from the immediately prior audit report.

Condition

The School Corporation had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA). One employee prepared the SEFA without evidence of a review or approval process, or other compensating control.

Context

The lack of internal controls was a systemic issue throughout the audit period. The SEFA contained the following errors:

1. The Title I Grants to Local Educational Agencies program was understated by \$106,990.
2. The Improving Teacher Quality State Grants program was understated by \$46,940.
3. The Special Education Cluster (IDEA) was understated by \$23,051.
4. The Child Nutrition Cluster was understated by \$3,062.

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.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

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

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 to ensure 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*.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to 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 2016-003

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): FY15, FY16

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

The School Corporation had not established an effective internal control system related to the grant agreement and the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement. The Food Service Director performed the verification of free and reduced price applications. There was no documentation of a control in place, such as an oversight, review, or approval process. During the 2014-2015 and 2015-2016 school years, the School Corporation was required to verify 14 and 16 applications, respectively. Only 12 of the 30 applications verified were presented for audit, so it could not be determined if the verification was properly performed.

Context

The lack of controls was a systemic problem throughout the audit period. Records were not available to determine compliance with the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) requirements for both of the years under audit.

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. . . ."

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.333 states in part:

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

Cause

The School Corporation had not developed a system of internal controls to ensure that documentation related to the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirement was maintained and made available for audit.

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 - Verification of Free and Reduced Price Applications (NSLP) compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the Special Tests and Provisions - Verification of Free and Reduced Applications compliance requirement is maintained and made 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.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles
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): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
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 Allowable Costs/Cost Principles compliance requirement. The School Corporation did not have controls in place to ensure that employees who worked solely on the child nutrition programs completed the required Semi-Annual Certifications.

Context

The lack of controls was a systemic problem throughout the audit period. Semi-Annual Certifications were not completed by any food service employee during the audit period.

Criteria

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

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

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."

Cause

Management had not developed a system of internal controls to ensure compliance with the Allowable Costs/Cost Principles requirements identified above.

Effect

The failure to establish internal controls 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.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2016-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

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

Procurement

The School Corporation utilized a purchasing cooperative to obtain bids on their behalf for select items. There was no control in place, such as an oversight, review, or approval process, to ensure compliance with procurement requirements for items bid by the purchasing cooperative.

The School Corporation did not have a control system in place to ensure compliance with small purchase procedures. The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods from two vendors that exceeded \$3,000.

Suspension and Debarment

The School Corporation did not have a control system in place to verify that a vendor was not suspended or debarred before entering into a covered transaction. During the 2014-2015 school year, the School Corporation made food service purchases exceeding \$25,000 from one vendor. The School Corporation failed to provide evidence that a search of the Excluded Party List System was conducted, that certification from the entity was collected, or that a clause or condition was added to the contract.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of internal controls was a systemic problem throughout the audit period. Noncompliance with small purchase procedures was a systemic problem in the 2015-2016 school year. Noncompliance with suspension and debarment requirements was a systemic problem in the 2014-2015 school year.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

(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(b) states:

"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. "

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Procurement and Suspension and Debarment compliance requirement.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish internal controls enabled material noncompliance to go undetected. Non-compliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2016-006

Subject: Child Nutrition Cluster - Cash Management, Eligibility, 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): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Eligibility, Reporting
Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, 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, Eligibility, and Reporting.

Cash Management

The Treasurer monitored the balance in the School Lunch fund; however, this review was not documented. There was no control in place, such as an oversight, review, or approval process, to ensure net cash resources did not exceed three months average expenditures.

Eligibility

One individual was responsible for inputting all free and reduced price applications into the computer software system, which determined eligibility. There was no control in place, such as an oversight, review, or approval process, to ensure the eligibility determination was correct.

Reporting

The Food Service Director prepared the Annual Financial Report, Reimbursement Requests, and the Verification Summary Report. There was no documentation of a control in place, such as an oversight, review, or approval process, to ensure reports were accurate.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of properly designed and implemented controls was a systemic problem, which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed 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 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.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-007

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): FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Other Matters

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. The School Corporation did not complete Paid Lunch Equity calculations for the 2014-2015 school year.

Context

The lack of controls was a systemic issue throughout the audit period. Paid Lunch Equity calculations were not completed for the first 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. . . ."

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: . . .

(6) Records to document compliance with the requirements in § 210.14(e); . . ."

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 210.14(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

(1) *Calculation procedures.* Each school food authority shall:

- (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
- (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
- (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity 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 and ensure compliance related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Views of Responsible Officials

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2016-008

Subject: Title I Grants to Local Educational Agencies - Internal Controls
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): FY14, FY15, FY16
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Allowable Costs/Cost Principles, Cash Management,
Period of Performance, Reporting, Special Tests and
Provisions - Comparability, Special Tests and
Provisions - Annual Report Card,
High School Graduation Rate
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report related to Cash Management, Reporting, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate. The prior audit finding number was 2014-003.

Condition

An effective internal control system, which would include segregation of duties, 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: Allowable Costs/Cost Principles, Cash Management, Period of Performance, Reporting, Special Tests and Provisions - Comparability, and Special Tests and Provisions - Annual Report Card, High School Graduation Rate.

Allowable Costs/Cost Principles

The Assistant Superintendent of Schools was responsible for maintaining time and effort documentation for employees paid from program funds. There was no control in place, such as an oversight, review, or approval process.

Cash Management

The Treasurer prepared reimbursement requests. Until July 2016, there was no control in place, such as an oversight, review, or approval process, to ensure expenses were paid prior to requesting reimbursement.

Period of Performance

The Treasurer prepared reimbursement requests. Until July 2016, there was no control in place, such as an oversight, review, or approval process, to ensure that expenses requested for reimbursement met period of performance requirements.

Reporting

Reimbursement requests and Final Expenditure Reports were completed; however, there was no control in place, such as an oversight, review, or approval process, to ensure the reports were accurate prior to submission.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Comparability

Comparability reports were completed by the Title I Director. There was no control in place, such as an oversight, review, or approval process.

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

One individual was responsible for removing students from the cohort. There was no control in place to ensure that documentation was on file for all students removed from the cohort.

Context

The lack of internal controls was a systemic problem which occurred throughout the audit period.

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed 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 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

There were no questioned costs identified.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
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 2016-009

Subject: Title I Grants to Local Educational Agencies - 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): FY14, FY15, FY16
Pass Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
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 Eligibility compliance requirement. The Eligible School Summary portion of the Title I grant application reported the public enrollment, public poverty, non-public enrollment, and non-public poverty data. The records provided by the School Corporation did not agree with the Eligible School Summary Report for the 2016 program year for public data. No records were provided to support the non-public data.

Context

The records for public school enrollment did not agree with the Eligible School Summary by 6 students. The public school poverty data did not agree to the Eligible School Summary by 56 students. The records to support the 37 students reported for non-public enrollment were not presented for audit.

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

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 74.53(b) states in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report. . . ."

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. . . ."

34 CFR 76.700 states:

"A State and a subgrantee shall comply with the State plan and applicable statutes, regulations, and approved applications, and shall use Federal funds in accordance with those statutes, regulations, plan, and applications."

34 CFR 200.78(a)(1) states:

"An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

Cause

The School Corporation had not developed a system of internal controls over the documentation of eligibility.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended the School Corporation's management establish controls related to the Eligibility compliance requirement.

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
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 2016-010

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14213-052-PN01, 14214-052-PN01,
14215-052-PN01, 14216-050-PN01,
99914-052-TA01, 45714-052-PN01,
45715-052-PN01, 45716-050-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, 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. Child Count reports were prepared and submitted without a control in place to ensure the reports were accurate.

Context

The lack of controls over the Child Count reports 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). . . ."

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

The School Corporation 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 Reporting 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 agreement and 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.



6109 Squire Place, Aurora, IN 47001 www.sdcsk.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-001

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager/Treasurer
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

1. The School Corporation has hired an assistant since the audit period to help with the lack of segregation of duties. This person issues all receipts, issues all checks, and will be trained on reconciling the funds ledger. The Business Manager/Treasurer reviews all receipts and claims prior to issuing checks. The Superintendent also reviews the claims prior to issuing checks.
2. The School Corporation has implemented several controls to ensure all payroll disbursements are approved by the School Board. This includes review by the Business Manager/Treasurer and Assistant Superintendent/Superintendent, and verification that the ledger matches with the payroll reports.

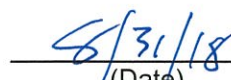
Anticipated Completion Date: This plan is already in place and took effect July 2016.



(Signature)



(Title)



(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-002

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager/Treasurer
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

After completion of the SEFA, it will be reviewed and approved by the Superintendent/Assistant Superintendent.

Anticipated Completion Date: 8/1/18



(Signature)

Business Manager

(Title)

8/31/18

(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdcsk12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-003

Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Food Service Director will perform the verification of free and reduced price applications with review by the District Payroll and Treasurer Assistant. The Food Service Director will also maintain and file free and reduced price applications according to the state compliance guidelines.

Anticipated Completion Date: This plan is already in place and took effect October 2017.

Mary Sturgeon
(Signature)

Food Service Director
(Title)

9-4-2018
(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-004

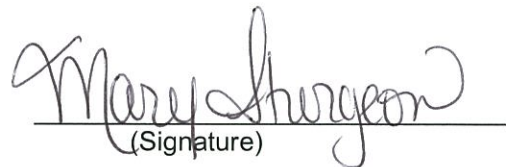
Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

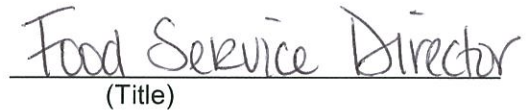
Views of Responsible Official: We concur with the finding.

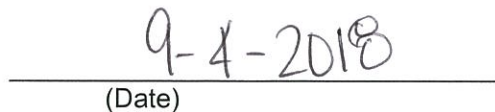
Description of Corrective Action Plan:

The Food Service Director will complete the Semi-Annual Certification form for the school nutrition program in December and May of each school year. This will then be reviewed by the Business Manager.

Anticipated Completion Date: December 2018


(Signature)


(Title)


(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdcsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-005

Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Procurement

When utilizing a purchasing cooperative to obtain bids on our behalf, the Food Service Director will review all bid and bid tally documents to ensure compliance with Procurement requirements.

The Food Service Director will follow small purchase procedures and obtain price or rate quotes from three vendors for purchases that exceed \$3,000.

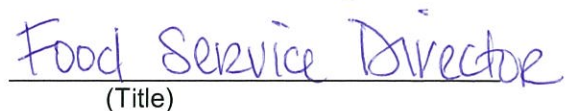
Suspension and Debarment

The food service department will ensure that all vendors that we purchase from have not been suspended or debarred from participation in federal programs by either looking them up on the federal website or by including language in our contracts that has the vendor attest that they are not suspended or debarred.

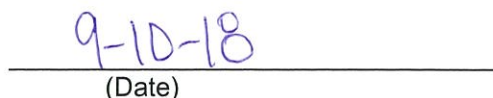
Anticipated Completion Date: October 2018



(Signature)



(Title)



(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdccsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-006

Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

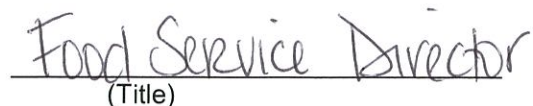
Child Nutrition Cluster-Cash Management – The Food Service Director will monitor the School Lunch fund monthly cash balances for accuracy and to ensure net cash resources do not exceed three months average expenditures. The Food Service Director will then send to the Business Manager for review.

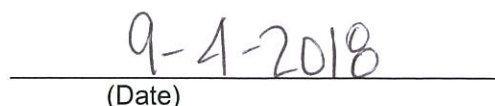
Child Nutrition Cluster-Eligibility – The school Treasurer/Secretary will enter all free and reduced price applications into the computer software system, which determines eligibility. The eligibility determinations will then be reviewed by the Food Service Director with proper documentation.

Child Nutrition Cluster-Reporting – The Food Service Director will prepare the Annual Financial Report and Verification Summary Report. These reports will then be reviewed by the Business Manager. The Business Manager will prepare the Reimbursement Requests. These requests will then be reviewed by the Food Service Director.

Anticipated Completion Date: September 2018


(Signature)


(Title)


(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdcsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-007

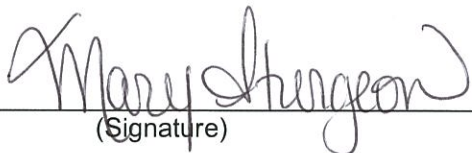
Contact Person Responsible for Corrective Action: Mary Sturgeon, Food Service Director
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

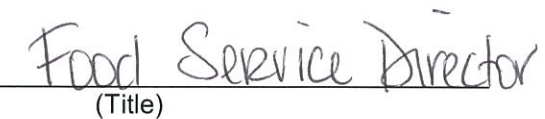
Description of Corrective Action Plan:

The Food Service Director will complete the Paid Lunch Equity calculations. These calculations will then be reviewed by the Business Manager.

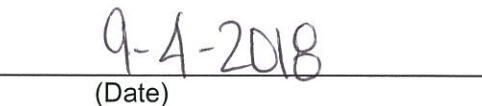
Anticipated Completion Date: This plan is already in place and took effect July 2018.



(Signature)



(Title)



(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-008

Contact Person Responsible for Corrective Action: Shawn Spindler, Business Manager/Treasurer
Chris Tanner, Assistant Superintendent

Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation has implemented additional control over the cash management and reporting of the Title I program. Prior to submission of reimbursement requests, the Business Manager/Treasurer reviews the request and final reports with the Assistant Superintendent/Title I Director who then signs off on it. For the comparability reports, the Assistant Superintendent will complete the reports and then review with the Business Manager/Treasurer and/or the Superintendent who will approve. Moving forward, the Withdrawal forms will be reviewed and signed by the building principal as they have control of the building.

Anticipated Completion Date: This plan is already in place and took effect July 2016.



(Signature)

Business Manager

(Title)

8/31/18

(Date)



(Signature)

ASSISTANT SUPERINTENDENT

(Title)

09/04/2018

(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-009

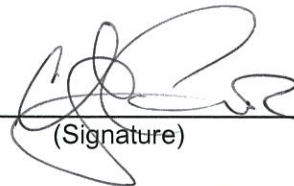
Contact Person Responsible for Corrective Action: Christopher Tanner, Assistant Superintendent
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Regarding the Eligible School Summary Report, we will begin printing this and verifying the enrollment with our Real-Time reports. As for the non-public enrollment, we will begin documenting our conversations with the parochial schools enrollment.

Anticipated Completion Date: September 2018



(Signature)

ASSISTANT SUPERINTENDENT

(Title)

09/04/2018

(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT



6109 Squire Place, Aurora, IN 47001 www.sdsc.k12.in.us T: 812-926-2090 F: 812-926-4216

CORRECTIVE ACTION PLAN

FINDING 2016-010

Contact Person Responsible for Corrective Action: Veda Vertz, Data Coordinator
Contact Phone Number: 812.926.2090

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The School Corporation has implemented additional control over the Special Education child count reports. The Data Coordinator submits the original count and continues to review for any errors until the count is finalized by IDOE. Once the count is final, the Business Manager/Treasurer and Superintendent sign off on the Special Education Report that is uploaded to the state.

Anticipated Completion Date: This plan is already in place and took effect July 2017.

Veda J Vertz
(Signature)
Data Coordinator
(Title)
9-24-18
(Date)

Success Driven. Grow. Excel. Achieve.
A COMMUNITY COMMITMENT

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

BANK ACCOUNT RECONCILIATIONS

A similar comment also appeared in prior Report B46272.

Depository reconciliations of the fund balances to the bank balances were not properly completed during the audit period. It was the Treasurer's practice to reconcile fund receipts to bank receipts, and fund disbursements to bank disbursements monthly; however, the Treasurer did not verify that the fund balance agreed to the bank account balance. The reconciled bank balance as of June 30, 2016, was \$7,679 more than the funds ledger balance.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

SOUTH DEARBORN COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2018, with Shawn Spindler, Treasurer; Eric Lows, Superintendent of Schools; and Scott Willoughby, President of the School Board.