

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SPRINGS VALLEY COMMUNITY
SCHOOLS CORPORATION
ORANGE COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
11/21/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathy Allstott	07-01-15 to 06-30-19
Superintendent of Schools	Anthony Whitaker	01-01-15 to 12-31-18
President of the School Board	Cheryl Lynch Todd Marshall Justin R. Wininger	01-01-15 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SPRINGS VALLEY COMMUNITY
SCHOOLS CORPORATION, ORANGE COUNTY, INDIANA

This report is supplemental to our audit report of the Springs Valley Community Schools Corporation (School Corporation), for the period from July 1, 2015 to June 30, 2017. 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 opinion on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa.

The Federal Findings, identified in the above referenced audit report, are included in this report and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

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

October 10, 2018

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Child Nutrition Cluster - Equipment
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): 6160, FY 15-16, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
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 equipment requirements.

The School Corporation did not have adequate policies and procedures to ensure that the proper equipment records were maintained in accordance with federal guidelines. The School Corporation did not comply with the equipment requirements.

The School Corporation did not maintain a listing of equipment purchased from the School Lunch fund. Equipment totaling \$48,500 purchased from the School Lunch fund was not recorded in the equipment and property records of the School Corporation. A physical inventory of the equipment was not taken. These compliance requirements were not monitored by the Food Service Director or by any other employee of the School Corporation.

Context

No property records existed for equipment purchased from the School Lunch fund. The lack of controls was a systemic problem for the period audited.

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). . . ."

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.313(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. . . ."

Cause

The School Corporation's management had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the equipment requirements.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the compliance requirement identified above.

Views of Responsible Officials

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

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-002

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): 6160, FY 15-16, FY 16-17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
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 Procurement and Suspension and Debarment compliance requirement.

The School Corporation utilized a food service cooperative for food service bids. The food service cooperative administered the bidding process and verified that the vendors were not suspended or debarred. In addition, the School Corporation utilized four vendors, who were not part of the cooperative, for which the total purchases for the fiscal years 2016 and 2017 were within the small purchase threshold (\$3,500-\$150,000) and the School Corporation did not obtain quotes or maintain documentation for the rationale of selecting each vendor for food purchases. The School Corporation did not verify that the vendors with whom the School Corporation entered into a covered transaction were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs.

Context

The lack of controls and noncompliance were systemic problems occurring 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. . . ."

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). . . ."

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

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

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the compliance requirement identified above.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the compliance requirement identified above.

Views of Responsible Officials

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

SPRINGS VALLEY COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

498 SOUTH LARRY BIRD BLVD. • FRENCH LICK, INDIANA 47432-1060
PHONE (812) 936-4474 • FAX (812) 936-9392

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Kathy Allstott
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: All equipment items purchased by the Cafeteria School Lunch Fund over the threshold amount of \$2,500.00 will be recorded on the Fixed Assets Inventory maintained by the corporation. As an internal control measure, the Fixed Assets Inventory list will be verified by the cafeteria director on an annual basis.

Anticipated Completion Date: October 10, 2018

Kathy Allstott
(Signature)

Treasurer
(Title)

10/09/18
(Date)

SPRINGS VALLEY COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

498 SOUTH LARRY BIRD BLVD. • FRENCH LICK, INDIANA 47432-1060
PHONE (812) 936-4474 • FAX (812) 936-9392

CORRECTIVE ACTION PLAN


FINDING 2017-002

Contact Person Responsible for Corrective Action: Kathy Allstott
Contact Phone Number: 812-936-4474

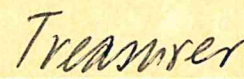
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The cafeteria director will maintain records of quotes obtained for food service bids from vendors who are not part of the food service cooperative. Evidence of compliance for suspension and debarment will be satisfied by one of three methods: verification of suspension and debarment eligibility on the www.sam.gov website, statement of non-debarment affidavit, or vendor contract to include satisfactory language pertaining to suspension and debarment. Suspension and debarment compliance will be verified annually or per terms of the vendor contract.

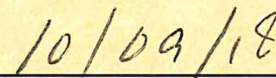
Anticipated Completion Date: October 10, 2018



(Signature)



(Title)



(Date)

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION
AUDIT RESULTS AND COMMENTS

PREPAID SCHOOL MEAL ACCOUNTS

A similar comment also appeared in prior Report B48780, entitled *PREPAID MEAL ACCOUNTS*.

During the audit period, prepaid lunch receipts were not recorded into a Prepaid Lunch fund, but were instead accounted for within the School Lunch fund. Additionally, the School Lunch fund was not maintained in a way that would allow determination of which receipts were related to prepaid amounts. The School Lunch fund activity is accounted for in the individual School Building Extracurricular Accounts (ECA). The ECA Treasurer established a separate prepaid lunch fund effective for the 2018-2019 school year.

Our opinion is that money a student puts into their individual meal account should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while it is in the student's individual account the balance should not be included in Fund 800 School Lunch. Our recommendation is that you set up a clearing account with the fund number of 8400. Our suggestion is when a student brings in a deposit the receipt would be recorded to fund 8400 using receipt account number 1630. Periodically, after the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 and receipt it into fund 800 using receipt accounts 1611-1623. At this point it is considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis the balance of the 8400 fund should be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, September 2015)

TRAINING ON INTERNAL CONTROL STANDARDS

The School Corporation approved Internal Control Standards and Procedures (Policy 6111) which states in part: ". . . *The Corporation shall . . . G. provide, upon employment and periodically thereafter, training concerning the internal control standards and procedures established for the Corporation for any personnel whose official duties include receiving, processing, depositing, disbursing, or otherwise having access to funds that belong to the Federal government, State government, the Corporation, or other governmental entities. . . .*" The School Corporation failed to ensure that all required personnel received the training.

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

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

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

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2018, with Kathy Allstott, Treasurer; Anthony Whitaker, Superintendent of Schools; Justin R. Winger, President of the School Board; Dustin Farris, Secretary of the School Board; Todd Marshall, School Board member; Chris Burton, School Board member; Shannon Meehan, Springs Valley High School Extracurricular Treasurer; Trevor Apple, Springs Valley Elementary School Principal; Penny Harner, Springs Valley Elementary School Extracurricular Treasurer; and Kyle J. Neukam, Springs Valley High School Principal.