

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
RIPLEY COUNTY, INDIANA
July 1, 2015 to June 30, 2017



FILED
01/18/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lana M. Miller	07-01-15 to 06-30-19
Superintendent of Schools	Robert D. Moorhead	07-01-15 to 06-30-19
President of the School Board	Tim Taylor	01-01-15 to 12-31-18



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

This report is supplemental to our audit report of the South Ripley Community School 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 that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at www.in.gov/sboa/.

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

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

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

November 28, 2018

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Child Nutrition Cluster - Internal Controls

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 2016, FY 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Eligibility, Program Income, Reporting, Special Tests
and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-004.

Condition

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

Cash Management

The School Corporation had not implemented controls over the cash management requirement to ensure that the balance in the School Lunch fund (net cash resources) did not exceed three months average expenditures.

Eligibility

A control process had not been established to ensure that information entered into the food service software from the free and reduced price applications was accurate.

Program Income

A control process had not been established to ensure that the income recorded in the financial records for the food service program agreed to the reports generated from the food service program.

Reporting

A control process had not been established to ensure that School Food Authority (SFA) Verification Collection Reports and monthly Sponsor Claims (claims for reimbursement) were accurate prior to submission.

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

A control process had not been established to ensure that the verification of free and reduced priced applications was performed in accordance with program requirements.

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls 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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

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 listed above. 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 RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2017-002

Subject: Child Nutrition Cluster - Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, FY 2017
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 finding from the immediately prior audit. The prior audit finding number was 2015-005.

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 suspension and debarment requirements.

The School Corporation had not established an effective internal control system to ensure compliance with the suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not perform any procedures to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

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

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

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

You do this by:

- (a) Checking 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 had not developed a system of internal controls that would have ensured compliance with the suspension and debarment requirements.

Effect

The failure to establish controls enabled material noncompliance to occur and go undetected. Noncompliance with the suspension and debarment requirements 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 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 2017-003

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-050-PN01; 14216-052-PN01;
14217-050-PN01; 45716-050-PN01;
45716-052-PN01

Pass Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 designated a fiscal agent to receive and manage the funding of the special education programs; however, the School Corporation was ultimately responsible to have internal controls and to ensure compliance with the compliance requirement.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used by the fiscal agent complied with their procurement procedures and applicable state, local, and federal requirements. Additionally, the School Corporation did not have internal controls in place to ensure that the fiscal agent documented the history of their procurements, including the rationale for method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price.

The School Corporation did not have a control system in place to ensure compliance of non-contracted procurements. The School Corporation entered into several contracts for personal services during the audit period, including several with yearly contracts that exceeded the threshold for small purchases. The School Corporation did not ensure that price or rate quotes were obtained from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with the suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

The School Corporation did not ensure that procedures were performed to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

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

Criteria

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 RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.318 states in part:

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

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

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. . . .

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

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

2 CFR 180.300 states:

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

You do this by:

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

Cause

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

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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



SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION

"Home of the Raiders"



Robert D. Moorhead, Superintendent

Lana M. Miller, Business Manager

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CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official:

This Finding is a repeat finding from the prior audit and is timing related due to timing of the last audit. The last Exit Conference with the State Board of Accounts was held on July 17, 2017 for the audit period of July 1, 2013 to June 30, 2015. The Indiana State Board of Accounts began their audit on October 29, 2018 for the audit period of July 1, 2015 to June 30, 2017. We made the changes as explained below following the last audit in 2017.

Description of Corrective Action Plan:

Status of Audit Finding: At the time of our last audit, we had not had a full review of our Child Nutrition Program in several years. We were happy to provide more oversight and segregations of duties in this area. We immediately made changes during this audit to provide oversight that was auditable. We purchased and provided "Reviewed By" stamps to the two Food Service Managers and the Food Service Clerical staff. They immediately began using these to show they are reviewing paperwork and actually signing off with their approval.

Cafeteria Fund Cash Balance Review- The Cafeteria Fund balance is reviewed daily by the Business Manager/Treasurer. The Board reviews all balances monthly on the Fund Report. During the last audit, we began keeping a spreadsheet that checks the Cafeteria balance quarterly in regard to the average expenditures for three months. This was done and has been maintained. Additionally this audit, we are asked to have another person review the spreadsheet, and sign off.

Free and Reduced Eligibility Determinations- After the last audit, we assigned a second person to sign off that they have reviewed the applications including the entry of the applications into our computer system.

Program Income- The Food Service Clerical staff prints the Skyward monthly reports and balances the daily reports to the monthly reports. The Food Service Clerical staff sends monthly reports to the Treasurer and the Treasurer makes ledger entries transferring money from 8400-Prepaid Food to the 0800 Cafeteria Fund. The Treasurer will additionally have a second person review and approve the entries made in the ledger.

Reporting- The Food Service Clerical staff person prepares the Reimbursement Report and has the Cafeteria Manager review it prior to submission. Verification Summary Reports are completed by an Office Secretary and reviewed by another Office Secretary.

"South Ripley educates students today, to become responsible citizens of tomorrow."

Verification of Free and Reduced Price Applications- An Office Secretary is in charge of the Free and Reduced Applications and Eligibility along with verifications. A second office staff person reviews the free and reduced applications and the 3% random verifications along with documentation provided. Additionally, reports are generated from Skyward to make sure that no keying errors were made while entering the lunch codes for Free, Reduced, or Paid.

Anticipated Completion Date: November 28, 2018.

FINDING 2017-002

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official:

This Finding is a repeat finding from the prior audit and is timing related due to timing of the last audit. The last Exit Conference with the State Board of Accounts was held on July 17, 2017 for the audit period of July 1, 2013 to June 30, 2015. The Indiana State Board of Accounts began their audit on October 29, 2018 for the audit period of July 1, 2015 to June 30, 2017. We made the changes as explained below following the last audit in 2017.

Description of Corrective Action Plan:

Status of Audit Finding: We use the SAMS website to verify that vendors have not been suspended or debarred. This is for vendors used for contracts exceeding \$25,000 that involve federal funds. A second person reviews the SAMS reports.

Anticipated Completion Date: This was completed August 1, 2017 (during our last audit).

FINDING 2017-003

Contact Person Responsible for Corrective Action: Lana M. Miller
Contact Phone Number: 812-689-6282

Views of Responsible Official: This Finding is for the Ripley-Ohio-Dearborn Special Education Cooperative (ROD) and relates to Special Education on behalf of South Ripley Community School and its other participating schools. We are told by our Auditor that all participating schools will receive this same Finding.

Description of Corrective Action Plan: The Correction Action Plan below was received via email from Marcia Fullenkamp, Treasurer of Ripley- Ohio- Dearborn Special Education Cooperative on November 28, 2018.

To address the Procurement Finding: Documentation of price/rate quotations obtained from an adequate number of qualified vendors for purchases anticipated to be over the \$3,000 threshold for small purchases will be maintained at the ROD Cooperative.

To address the Suspension and Debarment Finding: The following internal control procedure has been established to verify a vendor that exceeds \$25,000 has not been suspended or debarred: For each vendor that exceeds \$25,000, the ROD cooperative will do a search on the SAM Federal registry to verify the selected vendor has not been suspended or debarred. The director will sign the printed registry search verifying the vendor has not been suspended or debarred.

Anticipated Completion Date: November 28, 2018

Lana M. Miller
(Signature)

Business Manager/Treasurer
(Title)

11-28-2018
(Date)

SOUTH RIPLEY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on November 28, 2018, with Robert D. Moorhead, Superintendent of Schools; Lana M. Miller, Treasurer; and Tim Taylor, President of the School Board.