

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAWRENCEBURG COMMUNITY SCHOOL CORPORATION

DEARBORN 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	Pam Taylor	07-01-15 to 06-30-19
Superintendent of Schools	Karl Galey	07-01-15 to 06-30-19
President of the School Board	Bryan Johnson Kevin Mollaun	01-01-15 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 LAWRENCEBURG COMMUNITY SCHOOL
CORPORATION, DEARBORN COUNTY, INDIANA

This report is supplemental to our audit report of the Lawrenceburg 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

December 4, 2018

LAWRENCEBURG 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,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): 16-1620, 17-1620, FY 2016 & 2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, Reporting

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-003 from the immediately prior audit.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management, Program Income, and Reporting.

Cash Management (School Breakfast Program and National School Lunch Program only)

The School Corporation had not designed or implemented adequate policies and procedures to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to the three months average expenditures.

Program Income

There were no controls in place to ensure that program income was being computed and recorded properly prior to posting to the School Corporation's general ledger. One employee processed program income without oversight, review or approval, or other compensating controls.

Reporting

There were no controls in place to ensure that required reports were complete and accurate prior to submission. One employee prepared and submitted the Monthly Sponsor Claims for Reimbursement and the Verification Summary Report without oversight, review, or approval.

Context

The lack of 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. . . ."

LAWRENCEBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed a system of internal controls that would have segregated key functions related to 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.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

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

FINDING 2017-002

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

Federal Agency: Department of Education

Federal Programs: Special Education_Grants to States, Special Education_Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14214-052-PN01, 14215-052-PN01,
14216-050-PN01, 14216-052-PN01,
14217-050-PN01, 99914-052-TA01,
45714-052-PN01, 45715-052-PN01,
45716-050-PN01, 45717-050-PN01

Pass Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

LAWRENCEBURG 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.

Procurement

The School Corporation did not have internal controls in place to ensure that the purchasing methods used 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 they were documenting 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 contracted out personal services to many vendors, including several with yearly expenditures over the \$3,000 threshold for small purchases. The School Corporation did not obtain price or rate quotations from an adequate number of qualified sources as required for the contracts that were anticipated to be over \$3,000.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with 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 entered into one covered service transaction over \$25,000. The School Corporation did not perform any procedures to ensure that this vendor was not suspended or debarred prior to entering into this contract.

Context

The lack of controls and the 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). . . ."

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. . . ."

LAWRENCEBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

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

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes 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."

LAWRENCEBURG COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish internal controls related to the grant agreement and 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.

LAWRENCEBURG COMMUNITY SCHOOLS

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CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Pam Taylor
Contact Phone Number: 812-537-7202

Views of Responsible Official:

Cash Management

We concur with the finding.

Program Income

We concur with the finding.

Reporting

We concur with the finding.

Description of Corrective Action Plan:

Cash Management

In addition to talking about the actual balance in the food service fund, we will specifically state what the average three-month expenditure amount is, using the immediately past three months. We actually implemented this process at the November 12, 2018 board meeting.

Anticipated Completion Date: Complete

Program Income

A second employee will review and approve the computation and the entries made to calculate and post program income to the unit's general ledger. While this has been done sporadically in the past, it will be done each time income is posted to the general ledger beginning December 1, 2018.

Anticipated Completion Date: December 15, 2018

Reporting

Required reports will be reviewed and approved after submission (the application on the food and nutrition website does not allow us to complete the reports and save them for online review before submission). This corrective action is in place now and has been for a number of months.

Anticipated Completion Date: Complete

FINDING 2017-002

Contact Person Responsible for Corrective Action: Pam Taylor
Contact Phone Number: 812-537-7202

Views of Responsible Official:
We concur with the finding..

Description of Corrective Action Plan:

Procurement


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 or at the school corporation.

Anticipated Completion Date: January 1, 2019

Suspension and Debarment

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 or the school corporation will conduct a search on the SAMS Federal registry to verify the selected vendor has not been suspended or debarred. The director or superintendent will also sign the printed registry search verifying the vendor has not been suspended or debarred.

Anticipated Completion Date: January 1, 2019



(Signature)

SUPERINTENDENT

(Title)

12-4-18

(Date)

LAWRENCEBURG COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 4, 2018, with Pam Taylor, Treasurer; Karl Galey, Superintendent of Schools; and Kevin Mollaun, President of the School Board.