

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
OAK HILL UNITED SCHOOL CORPORATION
GRANT COUNTY, INDIANA
July 1, 2015 to June 30, 2017



FILED
02/07/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Debra S. Smith	01-01-15 to 12-31-18
Superintendent of Schools	Joel G. Martin	07-01-15 to 06-30-19
President of the School Board	Scott A. Dubois Scott Deaton Dr. Lori Goss-Reaves	01-01-15 to 12-31-15 01-01-16 to 12-31-17 01-01-18 to 12-31-18



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TO: THE OFFICIALS OF THE OAK HILL UNITED SCHOOL
CORPORATION, GRANT COUNTY, INDIANA

This report is supplemental to our audit report of the Oak Hill United 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 Finding, identified in the above referenced audit report, is included in this report.

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

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

December 18, 2018

OAK HILL UNITED SCHOOL CORPORATION
FEDERAL FINDING

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, Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP),
Special Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2015-001 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, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity.

Cash Management

The School Corporation had not established a control to ensure that the food service balance was less than or equal to the three months average expenditures until June 30, 2016.

Reporting

The Food Service Director prepared and submitted the Sponsor Claims (claims for reimbursement) and School Food Authority (SFA) Verification Collection Reports. There was no control in place to determine whether the Sponsor Claims were correct until June 30, 2016. There was no control in place during the audit period to determine whether the School Food Authority (SFA) Verification Collection Reports were correct.

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

The Food Service Director performed the verifications; however, there was no control in place to determine whether the verifications performed were correct until June 30, 2016.

Special Tests and Provisions - Paid Lunch Equity

The Food Service Director calculated the weighted average price for the School Corporation; however, there was no control to ensure the calculation was correct until June 30, 2016.

Context

The lack of controls over the School Food Authority (SFA) Verification Collection Reports was a systemic issue throughout the audit period. The lack of controls over the other requirements identified above was isolated to the 2015-2016 school year.

OAK HILL UNITED SCHOOL CORPORATION
FEDERAL FINDING
(Continued)

Criteria

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

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

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - Paid Lunch Equity compliance requirements.

Effect

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



Oak Hill United School Corporation

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CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Debra Smith
Contact Phone Number: 765-395-3341

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

Cash Management

On June 30, 2016, the Corporation Treasurer began checking the month end cash balance of the Food Service Fund as it compares to a three month average of operating expenses each month. This is now done on a routine basis each month and is documented on an excel spreadsheet with the month end cash balance stated and the date that the balance was checked.

Reporting

Each month starting in June of 2016, the Food Service Director sends the Sponsor claim report and supporting documentation to the Administration office. The Corporation Deputy Treasurer/Extra-Curricular Treasurer then reviews the Sponsor Claim report for accuracy and documents that she has reviewed it by signing and dating it. This process continues on a monthly basis.

The Food Service Director will print out the School Food Authority (SFA) Verification Collection Report once it is prepared on-line. She will sign the document as the preparer, then the Head Cook at the High School will review the preparation of the form and then sign the document as the reviewer. This procedure will begin to be followed during the preparation of the 2018-19 form in December of 2018 and will continue to be followed moving forward.

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

Beginning with the applications on file as of October 1, 2016, the Food Service Director completes the initial verification of the sample of approved free and reduced price meal applications and then the Head Cook at the High School conducts a second review of the sample of the approved free and reduced price meal applications to verify for accuracy. This procedure has continued since October 1, 2016.

Special Tests and Provisions – Paid Lunch Equity

Beginning with the Food Service Director's review of the 2016-17 school year calculation of the weighted average price, the Food Service Director completes the calculation then sends the calculation along with the supporting documentation to the Administration office. The corporation Deputy Treasurer/Extra-Curricular Treasurer then reviews the calculation and supporting documentation to insure that the calculation was completed correctly by the Food Service Director. The administration office then maintains documentation of the review process. This review process began with the 2016-17 school year calculation and continues moving forward.

Anticipated Completion Date: Listed above for each procedure.

Reba Smith

(Signature)

Treasurer/Business Manager

(Title)

12/13/18

(Date)

OAK HILL UNITED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Debra S. Smith, Treasurer; Joel G. Martin, Superintendent of Schools; and Scott Deaton, School Board member.