

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RANDOLPH CENTRAL SCHOOL CORPORATION

RANDOLPH COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
02/22/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2017-001	
Child Nutrition Cluster - Cash Management, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts.....	4-6
Finding 2017-002	
Child Nutrition Cluster - Eligibility	6-7
Corrective Action Plan.....	8-9
Exit Conference.....	10

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda Dodd	07-01-15 to 06-30-19
Superintendent of Schools	Dr. Gregory Hinshaw Lisa Chalfant (interim) Rolland Abraham	07-01-15 to 06-30-17 07-01-17 to 09-19-17 09-20-17 to 06-30-19
President of the School Board	Jeffrey Oswalt Bill Bush Fred Pries	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

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TO: THE OFFICIALS OF THE RANDOLPH CENTRAL SCHOOL
CORPORATION, RANDOLPH COUNTY, INDIANA

This report is supplemental to our audit report of the Randolph Central 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 20, 2018

RANDOLPH CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2017-001

Subject: Child Nutrition Cluster - Cash Management, Program Income, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Tests and Provisions - School Food Accounts

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): FY16, FY17

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, Reporting, Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Test and Provisions - School Food Accounts

Audit Finding: Material Weakness

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 Cash Management, Program Income, Reporting, Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Test and Provisions - School Food Accounts compliance requirements.

Cash Management

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

Program Income

The Treasurer recorded all income to the Cafeteria Reimbursement Clearing fund and provided copies of the receipts to the food service department for review and comparison to the accounting records. There was no documented evidence that the review was performed.

Reporting

The School Corporation did not have controls in place to ensure that reports were accurate and supported by records. The Food Service Director prepared and submitted all applicable reports without additional review or monitoring.

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

The School Corporation did not have controls in place to ensure that the verification process was properly performed and supported by records. The Food Service Director performed the required verification without additional review or monitoring.

RANDOLPH CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - School Food Accounts

The School Corporation did not have controls in place to ensure that food service revenue and expense were correctly posted to the records. The Treasurer posted all income and disbursements to the School Lunch fund and provided copies of the receipts and accounts payable vouchers to the Food Service Department for review. However, there was no documentation of the review by the School Food Director.

Context

The lack of controls was a systemic issue 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). . . ."

Cause

Management had not developed a system of internal controls to ensure compliance with the Cash Management, Program Income, Reporting, Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Test and Provisions - School Food Accounts compliance requirements.

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management, Program Income, Reporting, Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Test and Provisions - School Food Accounts compliance requirements.

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 Cash Management, Program Income, Reporting, Special Test and Provisions - Verification of Free and Reduced Price Applications (NSLP), and Special Test and Provisions - School Food Accounts compliance requirements.

RANDOLPH CENTRAL 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 2017-002

Subject: Child Nutrition Cluster - Eligibility
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): FY16, FY17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
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 the grant agreement and the Eligibility compliance requirement.

The School Corporation is required to include certain criteria in their policy statements and public announcement. The School Corporation's public announcements did not contain all the applicable criteria.

Context

The lack of controls and noncompliance were systemic issues, which occurred 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). . . ."

7 CFR 245.3(b) states in part:

"Each participating local educational agency and all participating schools under its jurisdiction must adhere to the eligibility criteria specified in this part. Local educational agencies must include these eligibility criteria in their policy statement as required under § 245.10 and it must be publicly announced in accordance with the provisions of § 245.5. . . ."

RANDOLPH CENTRAL SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

7 CFR 245.10(a) states:

"Each local educational agency of a school desiring to participate in the National School Lunch Program, School Breakfast Program, or to provide free milk under the Special Milk Program, or to become a commodity-only school shall submit for approval to the State agency a free and reduced price policy statement. Once approved, the policy statement shall be a permanent document which may be amended as necessary, except as specified in paragraph (c) of this section. Such policy statement, as a minimum, shall contain the following:

- (1) The official or officials designated by the local educational agency to make eligibility determinations on its behalf for free and reduced price meals or for free milk;
- (2) An assurance that for children who are not categorically eligible for free and reduced price benefits the local educational agency will determine eligibility for free and reduced price meals or free milk in accordance with the current Income Eligibility Guidelines.
- (3) The specific procedures the local educational agency will use in accepting applications from families for free and reduced price meals or for free milk. Additionally, the local educational agency must include the specific procedures it will use for obtaining documentation for determining children's eligibility through direct certification, in lieu of an application. Local educational agencies shall also provide households that are directly certified with a notice of eligibility, as specified in § 245.6(c)(2) and shall include in their policy statement a copy of such notice.
- (4) A description of the method or methods to be used to collect payments from those children paying the full price of the meal or milk, or a reduced price of a meal, which will prevent the overt identification of the children receiving a free meal or free milk or a reduced price meal, and
- (5) An assurance that the school will abide by the hearing procedure set forth in § 245.7 and the nondiscrimination practices set forth in § 245.8."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Eligibility compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Eligibility compliance requirement.

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 Eligibility compliance requirement.

Views of Responsible Officials

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



Randolph Central School Corporation

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Gregory P. Hinshaw, Ed.D.
Superintendent

Lisa Chalfant
Curriculum Director/Grant Writer

Linda Dodd
Treasurer

Debrah L. Anderson
Deputy Treasurer

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person Responsible for Corrective Action: Rolland Abraham
Contact Phone Number: 765 584-1401

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

Cash Management: Monthly the Food Service Director will prepare documentation showing that the food service account balance is less than or equal to the average expenditures for the previous three months. The Food Service Secretary will review the documentation for accuracy.

Program Income: The Food Service Secretary will sign and date all revenue reports when prepared and submit to the Corporation Treasurer who will review, sign and date.

Reporting: The Food Service Director will prepare the monthly Sponsor Claim for Reimbursement and the annual Verification Collection Report. The Food Service Secretary will review these reports. The Annual Financial Reports will be prepared by the Food Service Director and will be reviewed by the Corporation Treasurer.

Special Tests and Provisions-Verification: The Food Service Secretary will review the Food Service Directors verifications, and the proper procedures for the verifications will be followed and documented as required.

Special Tests and Provisions-School Food Account: The Food Service Secretary will provide supporting documentation to the Corporation Treasurer for the monthly earned income report. The Corporation Treasurer will review and make the appropriate transfers.

Anticipated Completion Date: 12/12/2018

FINDING 2017-002

Contact Person Responsible for Corrective Action: Rolland Abraham
Contact Phone Number: 765 584-1401

Views of Responsible Official: We concur with the findings

Description of Corrective Action Plan:

The Food Service Director will prepare the "Free and Reduced" lunch criteria for publication. The Deputy Treasurer will review the document to ensure that all criteria has been included. The Deputy Treasurer will send the information to the local newspaper fo publication each year prior to school registration.

Anticipated Completion Date: 12/12/2018



(Signature)

Superintendent

(Title)

12/12/18

(Date)

RANDOLPH CENTRAL SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2018, with Linda Dodd, Treasurer; Rolland Abraham, Superintendent of Schools; Fred Pries, President of the School Board; and Debrah Anderson, Deputy Treasurer.