

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION

DUBOIS COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
03/21/2019

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|---|--|
| Treasurer | Allison Pund | 07-01-16 to 12-31-19 |
| Superintendent of Schools | Michael Eineman Timothy LaGrange | 07-01-16 to 06-30-17 07-01-17 to 06-30-21 |
| President of the School Board | Kevin Wertman Christopher Neu Jon Menke | 01-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

TO: THE OFFICIALS OF THE SOUTHWEST DUBOIS COUNTY
SCHOOL CORPORATION, DUBOIS COUNTY, INDIANA

This report is supplemental to our audit report of the Southwest Dubois County School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. 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

February 12, 2019

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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): FY 2017, FY 2018
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.

Procurement

The School Corporation had not established an effective internal control system to ensure compliance with the procurement requirements. The School Corporation had a procurement policy; however, there were no controls in place to ensure procurement procedures were followed.

The School Corporation had ten vendors with yearly expenditures over the \$3,500 threshold for small purchases; however, the School Corporation did not obtain price or rate quotations from an adequate number of qualified sources as required. In addition, the School Corporation entered into a covered transaction with a food and supply vendor. The total purchases for food and supplies from the vendor during the 2016-2017 and 2017-2018 school years exceeded \$150,000, an amount over the simplified acquisition threshold (greater than \$150,000), for which the federal procurement policy required the School Corporation to advertise for bids or Request for Proposals (RFP) prior to purchase. Food and supply purchases were not procured in accordance with federal policies and 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 comply with the suspension and debarment requirements for the 2016-2017 and 2017-2018 school years. There were three vendors during each school year that exceeded \$25,000. The School Corporation did not perform any procedures to verify that the vendors were not suspended or debarred prior to entering into covered transactions.

Context

Internal control issues were systemic, occurring throughout the audit period, and enabled noncompliance with the Procurement and Suspension and Debarment compliance requirement.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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(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.

(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.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply. . . ."

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."

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

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 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 2018-002

Subject: Child Nutrition Cluster - Reporting

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): FY 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

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 Reporting compliance requirement.

Monthly Sponsor Claims (Claims for Reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were prepared and submitted by one individual. There was no segregation of duties, such as an oversight, review, or approval process.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 of the School Corporation had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

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 Reporting compliance requirement.

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 Reporting compliance requirement.

Views of Responsible Officials

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

Southwest Dubois County School Corporation

113 N Jackson St, Huntingburg IN 47542

Phone 812-683-3971 • Fax 812-683-2752

www.swdubois.k12.in.us • lagranget@swdubois.k12.in.us

Tim LaGrange, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Ora Lee Cotton and Allison Pund
Contact Phone Number: 812-683-3971

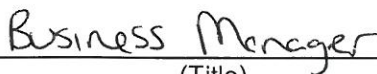
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The School Corporation will establish internal controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. The school corporation will procure any food and supply purchases that exceed \$150,000 and will maintain documentation for procurement procedures for purchases under \$150,000. The school corporation will also verify that vendors are not suspended or debarred prior to entering into covered transactions.

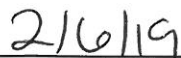
Anticipated Completion Date: Immediately



(Signature)



(Title)





~ Every student, Every day ~

Southwest Dubois County School Corporation

113 N Jackson St, Huntingburg IN 47542

Phone 812-683-3971 • Fax 812-683-2752

www.swdubois.k12.in.us • lagranget@swdubois.k12.in.us

Tim LaGrange, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Ora Lee Cotton and Allison Pund
Contact Phone Number: 812-683-3971

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The school corporation will establish controls relating to grant agreement and reporting compliance requirements by having the Business Manager review and approve all Monthly Sponsor Claims, Annual Financial Reports, and School Food Authority Verification Collection Reports.

Anticipated Completion Date: Immediately



(Signature)

Business Manager

(Title)

2/6/19

(Date)



~ Every student, Every day ~

SOUTHWEST DUBOIS COUNTY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2019, with Timothy LaGrange, Superintendent of Schools; Allison Pund, Treasurer; and Jon Menke, President of the School Board.