

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RUSH COUNTY SCHOOLS

RUSH COUNTY, INDIANA

July 1, 2015 to June 30, 2017



FILED
03/22/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2017-001	
Preparation of the Schedule of Expenditures of Federal Awards	4-6
Finding 2017-002	
Financial Transactions and Reporting	6-7
Finding 2017-003	
Title I Grants to Local Educational Agencies - Reporting, Eligibility	8-9
Finding 2017-004	
Special Education Cluster (IDEA) - Allowable Costs/Cost Principles	9-11
Finding 2017-005	
Special Education Cluster (IDEA) - Level of Effort	11-12
Finding 2017-006	
Special Education Cluster (IDEA) - Reporting	12-14
Finding 2017-007	
Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles	14-15
Finding 2017-008	
Child Nutrition Cluster - Cash Management	16-17
Finding 2017-009	
Child Nutrition Cluster - Internal Controls	17-19
Finding 2017-010	
Child Nutrition Cluster - Suspension and Debarment	19-21
Finding 2017-011	
Child Nutrition Cluster - Equipment and Real Property Management	21-23
Corrective Action Plan.....	24-34
Exit Conference.....	35

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Bryce Welsh	07-01-15 to 06-30-19
Superintendent of Schools	Matt Vance	07-01-15 to 06-30-19
President of the School Board	Jeff Slaton Dr. Steve Sickbert Tammy Jackman	01-01-15 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18



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 RUSH COUNTY SCHOOLS, RUSH COUNTY, INDIANA

This report is supplemental to our audit report of the Rush County Schools (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 and Audit Results and Comments 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.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

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 27, 2018

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS

FINDING 2017-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-002.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. The Director of Finance prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA contained the following errors:

1. The Expenditures for the School Breakfast Program were understated by \$28,908 and overstated by \$644,563 for the years ended June 30, 2016 and 2017, respectively.
2. The Expenditures for the National School Lunch Program were understated by \$44,223 and \$608,060 for the years ended June 30, 2016 and 2017, respectively.
3. The Commodities for the National School Lunch Program were omitted, understating expenditures by \$232,089.
4. The Expenditures for the Summer Food Service Program for Children were omitted, understating expenditures by \$65,616.
5. The Expenditures for the Supporting Effective Instruction State Grants were overstated by \$3,308 and understated by \$51,070 for the years ended June 30, 2016 and 2017, respectively.
6. The Expenditures for the Title I Grants to Local Educational Agencies were understated by \$205,988 for the year ended June 30, 2017.
7. The Expenditures for the Special Education Cluster (IDEA) was understated by \$337,958 for the year ended June 30, 2017.
8. The Program names, pass-through entities, identifying numbers, and CFDA numbers were not always accurate.

Audit adjustments were proposed, accepted by the School Corporation, and made to the SEFA.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

Recommendation

We recommended that the School Corporation's management establish controls related to the preparation of the SEFA.

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: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-001.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. The School Corporation had not separated incompatible activities related to cash and investments and receipts. The Director of Finance was primarily responsible for completing the bank reconciliations without a control in place, such as an oversight, review, or approval process. The receipt process began with the initiation of the receipt and deposit slip by the Deputy Treasurer. The monies were then deposited by the Payroll Clerk and subsequently recorded in the accounting software by the Director of Finance, without any documented control over the entire receipt process.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue during the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management of the School Corporation had not established a proper system of internal control over financial transactions and reporting.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to cash and investments and receipts.

Views of Responsible Officials

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

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2017-003

Subject: Title I Grants to Local Educational Agencies - Reporting, Eligibility
Federal Agency: Indiana Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Federal Award Numbers and Years (or Other Identifying Numbers): 15-6995, 16-6995, 17-6995
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Reporting, Eligibility
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit related to reporting. The prior audit finding number was 2015-005.

Condition

Reporting

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. The School Corporation had not separated incompatible activities related to the compilation, preparation, and submission of the final expenditure report.

Eligibility

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 Eligibility compliance requirement. There was no documented control to ensure only eligible students received targeted assistance.

Context

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

RUSH COUNTY SCHOOLS
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 designed or implemented an effective internal control system that would have ensured compliance with the Reporting and Eligibility 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 Reporting and Eligibility 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 Reporting and Eligibility compliance requirements.

Views of Responsible Officials

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

FINDING 2017-004

Subject: Special Education Cluster (IDEA) - Allowable Costs/Cost Principles

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-117-PN01, 14217-117-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-008.

RUSH COUNTY SCHOOLS
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 Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain proper Semi-Annual Certifications for all employees paid from the Special Education Cluster (IDEA). The School Corporation did not complete any Semi-Annual Certifications which were required during the school year ended June 30, 2016.

Context

The lack of controls and noncompliance were systemic issues during the first year of 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. . . ."

OMB Circular A-87, Attachment B, section 8h(3) states:

"Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement. 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 with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

RUSH COUNTY SCHOOLS
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 2017-005

Subject: Special Education Cluster (IDEA) - Level of Effort

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-148-PN01, 14216-117-PN01,
14217-117-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

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 level of effort requirements. The School Corporation had not separated incompatible activities related to the compilation, preparation, and submission of the maintenance of effort report for the major program.

Context

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

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 designed or implemented an effective internal control system that would have ensured compliance with the level of effort requirements.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

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

Views of Responsible Officials

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

FINDING 2017-006

Subject: Special Education Cluster (IDEA) - Reporting

Federal Agency: Department of Education

Federal Program: Special Education Grants to States

CFDA Number: 84.027

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-148-PN01, 14216-117-PN01,
14217-117-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2015-007.

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. The School Corporation had not separated incompatible activities related to the compilation, preparation, and submission of the required reports for the major program.

Reimbursement requests filed with the Indiana Department of Education were not supported by the School Corporation's records; therefore, the amounts requested for reimbursement could not be completely substantiated. The reimbursement requests were prepared by the Director of Finance; however, expenditure reports identifying which expenditures were included on each reimbursement request were not presented for audit. The School Corporation did not prepare the required final expenditure reports during the audit period.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

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

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). . . ."

34 CFR 80.20(b)(1) states: "*Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following:

. . .

(2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

Cause

The School Corporation had not designed or implemented an effective internal control system that would have ensured compliance with the Reporting compliance requirement.

Effect

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

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

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 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.

FINDING 2017-007

Subject: Child Nutrition Cluster - Activities Allowed or Unallowed, Allowable Costs/Cost Principles

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): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. The School Corporation's internal controls were not effective to ensure grant funds were expended for allowable activities.

One expenditure was made for the purchase of Chromebooks in the amount of \$37,844. The claim was determined to be an unallowable activity of the Child Nutrition Cluster.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The unallowable purchase was limited to one expenditure selected for testing.

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. . . ."

RUSH COUNTY SCHOOLS
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). . . ."

7 CFR 210.2 states in part: ". . . . *Nonprofit school food service* means all food service operations conducted by the school food authority principally for the benefit of schoolchildren, all of the revenue from which is used solely for the operation or improvement of such food services. . . ."

Cause

The School Corporation had not designed or implemented an effective internal control system that would have ensured compliance with the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective system of internal control enabled noncompliance with the grant agreement and the Activities Allowed or Unallowed and the Allowable Costs/Cost Principles compliance requirements to go undetected. Noncompliance with the grant agreement and the compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Known questioned costs in the amount of \$37,844 were identified as detailed in the *Condition*.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Activities or Unallowed and the Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2017-008

Subject: Child Nutrition Cluster - Cash Management
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): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
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 Cash Management compliance requirement. The School Corporation had not separated incompatible activities related to ensuring that the School Lunch fund's net cash resources were below the three months average expenditures threshold.

The School Lunch fund's net cash resources exceeded three months average expenditures for all months of the audit period. As of June 30, 2017, the School Lunch fund balance exceeded three months average expenditures by \$260,163.

Context

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

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). . . ."

7 CFR 210.14(b) states: "*Net cash resources.* The school food authority shall limit its net cash resources to an amount that does not exceed 3 months average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency in accordance with § 210.19(a)."

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

7 CFR 220.7(e) states in part:

". . . the School Food Authority shall, with respect to participating schools under its jurisdiction:
. . .

(iv) Limit its net cash resources to an amount that does not exceed three months average expenditure for its nonprofit school food service or such other amount as may be approved by the State agency; . . ."

Cause

The School Corporation had not designed or implemented an effective internal control system that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective system of internal control enabled noncompliance with the grant agreement and the Cash Management compliance requirement. 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 Cash Management 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 2017-009

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): FY2016, FY2017

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Eligibility, Program Income, Reporting, Special Tests
and Provisions - Verification of Free and Reduced
Price Applications (NSLP), Special Tests and
Provisions - School Food Accounts, Special
Tests and Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

RUSH COUNTY SCHOOLS
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 compliance requirements listed above.

Eligibility

One person was primarily responsible for determining the eligibility of free and reduced priced meal applicants. There was no control in place, such as an oversight, review, or approval process to ensure eligibility was properly determined.

Program Income

The School Corporation had not separated incompatible activities related to the assessment and recording of program income. There were no control procedures in place to ensure that the proper meal prices were being charged or that program income was properly recorded in the School Lunch fund.

Reporting

The School Corporation had not separated incompatible activities related to the Reporting compliance requirement. The Director of Finance was responsible for the compilation and preparation of the Annual Financial Report, and the Food Service Director was primarily responsible for the compilation and preparation of the reimbursement requests and the verification summary reports. There was no control in place, such as an oversight, review, or approval process to ensure the reports were accurate.

Special Tests and Provisions

The School Corporation had not separated incompatible activities related to the following Special Tests and Provisions: Verification of Free and Reduced Price Applications (NSLP), School Food Accounts, and Paid Lunch Equity.

Verification of Free and Reduced Price Applications (NSLP)

One person was primarily responsible for performing verification of free and reduced price applications at each building, and one person was responsible for preparing and submitting the verification summary report for the School Corporation. There was no documentation of a control in place, such as an oversight, review, or approval process to ensure the verification was properly performed.

School Food Accounts

One person was primarily responsible for the receipting process of the School Lunch fund. There was no control in place to ensure timely receipt of federal program revenues.

Paid Lunch Equity (National School Lunch Program only)

One person was primarily responsible for performing paid lunch equity calculations. There was no control in place, such as an oversight, review, or approval process to ensure compliance with paid lunch equity requirements.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Context

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

Cause

The School Corporation had not designed or implemented an effective internal control system that would have ensured compliance with the compliance requirements listed above.

Effect

The failure to establish an effective system of internal control 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 to ensure compliance with 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 2017-010

Subject: Child Nutrition Cluster - 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): FY2016, 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 2015-003.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Condition

An effective internal control system, which would include segregation of duties, was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs. There was no evidence presented for audit that the School Corporation checked SAM exclusions, collected a certification, or included a clause or condition in the contract of two vendors selected for testing.

Context

The lack of effective 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). . . ."

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."

Cause

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

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement. 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 and comply with the suspension and debarment requirements.

Views of Responsible Officials

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

FINDING 2017-011

Subject: Child Nutrition Cluster - Equipment and Real Property Management
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): FY2016, FY2017
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
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 Equipment and Real Property Management compliance requirement.

The School Corporation did not have adequate policies and procedures to ensure compliance with the requirements that it maintain records of equipment purchased in whole or in part with federal funds and that physical inventories be performed every two years.

The School Corporation did not accurately maintain equipment or property records for equipment purchased with program funds. The School Corporations asset records omitted three of the four equipment purchases selected for testing. No inventory was properly performed to identify these errors. In addition, property records did not contain all required information.

Context

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

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(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). . . ."

7 CFR 3016.32 states in part:

". . . (b) . . . Other grantees and subgrantees will follow paragraphs (c) through (e) of this section. . . ."

(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

2 CFR 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

RUSH COUNTY SCHOOLS
FEDERAL FINDINGS
(Continued)

(2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

Cause

The School Corporation had not designed or implemented an effective internal control system that would have ensured compliance with the Equipment and Real Property Management compliance requirement.

Effect

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

Questioned Costs

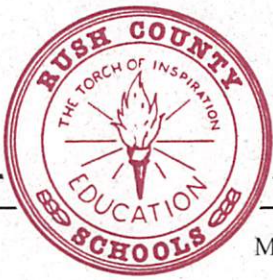
There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Views of Responsible Officials

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



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

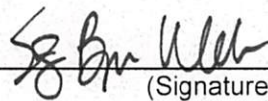
FINDING 2017-001

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

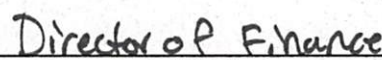
Views of Responsible Official:
We concur with the finding.

Going forward the SEFA will be checked by the Deputy Treasure to insure accuracy before being submitted to Gateway on the AFR.

Anticipated Completion Date:
The anticipated completion date will be 7/31/19 when the next AFR is submitted to Gateway.

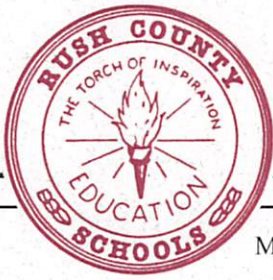


(Signature)



(Title)

12/27/18



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

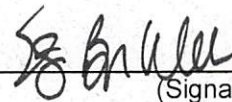
FINDING 2017-002

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

We have already implemented controls regarding this issue. The Director of Finance enters receipts into Komputrol and balances the Komputrol with the bank account. Once this is completed the Deputy Treasurer verifies and signs off on the bank statements. To separate this further the Payroll Clerk prepares and makes the deposits with the Director of Finance signing off on them.

Anticipated Completion Date: This practice was begun after the previous audit ended in January of 2018.



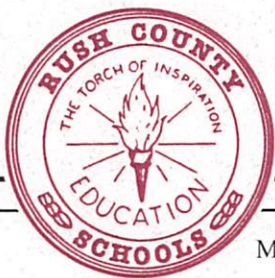
(Signature)

Director of Finance

(Title)

12/27/18

(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-003

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

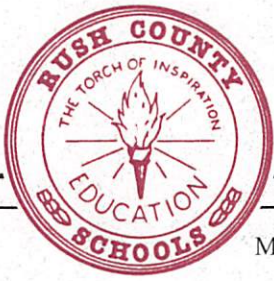
We have already implemented another layer of control by having the Director of Finance sign off on all reimbursements and the AFR. A second person will review the students determined to be eligible Targeted Assistance Eligibility.

Anticipated Completion Date: This was discussed in our previous audit and the control has been in place since January of 2018

Bryce Welsh
(Signature)

Director Finance
(Title)

12/27/18
(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

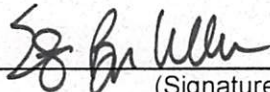
FINDING 2017-004

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

We were unaware that this was still a requirement. Going forward the Director of Differentiated Learning will complete Semi-Annual certifications or document within payroll for Special Education and have the applicable employees sign them.

Anticipated Completion Date: January 1, 2019



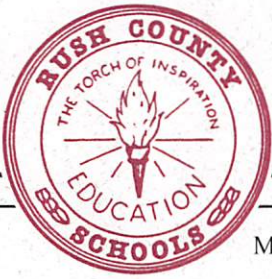
(Signature)

Director of Finance

(Title)

12/27/18

(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-005

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

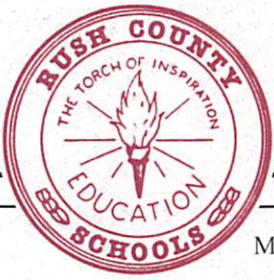
This level of control is already in place as the Director of Differentiated Learning and the Director of Finance currently sign off on all MoE calculations for Special Education.

Anticipated Completion Date: This practice is currently in place

Sig Bry Welsh
(Signature)

Director of Finance
(Title)

12/27/18
(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-006

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

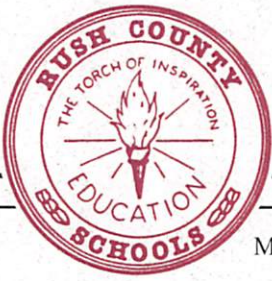
We were unaware that an AFR needed to be completed as IDOE has never requested it. In the future the AFR will be completed by the Director of Finance and reviewed by the Director of Differentiated Learning. All other Special Education financial reports are currently prepared and reviewed by the Director of Finance and the Director of Differentiated Learning. When requesting a reimbursement we will attach the supporting financials to the reimbursement.

Anticipated Completion Date: July 31st, 2019

Sg Br Welsh
(Signature)

Director of Finance
(Title)

12/27/18
(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-007

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

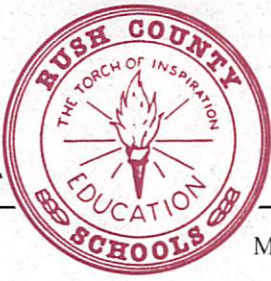
The account number was entered in error on claim form. This happened while we were in a transition from the previous Director of Finance to me. All requests to purchase are now signed by the Superintendent and the Director of Finance to ensure accuracy. We plan to transfer the amount in question from fund 900 back to fund 800.

Anticipated Completion Date: December 31st, 2018

S. B. Welsh
(Signature)

Director of Finance
(Title)

12/27/18
(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

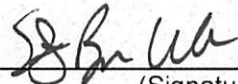
FINDING 2017-008

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

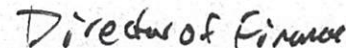
Views of Responsible Official:
We concur with the finding.

We have spoken with IDOE regarding a "spend down" plan and are actively replacing aging equipment in all our cafeterias. In the future we will monitor the 800 fund on a quarterly basis.

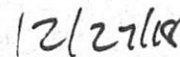
Anticipated Completion Date: The "spend down" is already in progress. We will begin monitoring the 800 fund on a quarterly basis on April 1st 2019



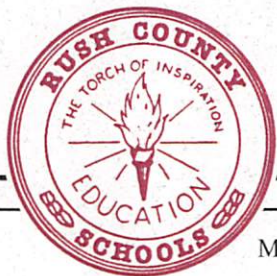
(Signature)



(Title)



(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-009

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

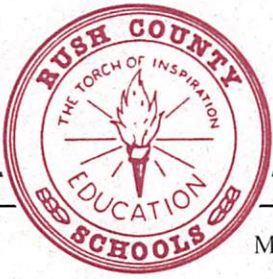
Going forward we will make sure that there is another level of control for all reports relating to child nutrition. We have already begun to change some of our processes to implement these controls. We will evaluate Harmony and determine if it is capable of creating the type of reports need for this. The Food Service Coordinator will review the certification of eligibility after it is completed by the Director of Curriculum. Program income will be reviewed by both the Food Service Coordinator and the Director of Finance. The Food Service Coordinator will conduct Free and Reduced verifications and be reviewed by the building secretaries. The Food Service Coordinator will calculate lunch prices and will be reviewed by the Director of Finance.

Anticipated Completion Date: July, 1st 2019

Bryce Welsh
(Signature)

Director of Finance
(Title)

12/27/18
(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-010

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

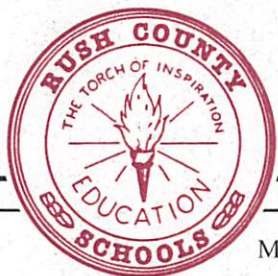
We use the SAM.gov website to vet vendors at the corporation level. In the future we will make sure all employees are aware that all vendors must be vetted.

Anticipated Completion Date: January 1st, 2019

Bryce Welsh
(Signature)

Director of Finance
(Title)

12/27/18
(Date)



RUSH COUNTY SCHOOLS

Matt Vance, Superintendent

CORRECTIVE ACTION PLAN

FINDING 2017-011

Contact Person Responsible for Corrective Action: Mr. Bryce Welsh, Director of Finance
Contact Phone Number: (765) 932-4186

Views of Responsible Official:
We concur with the finding.

Going forward we will add all food service equipment to the Fixed Assets Ledger.

Anticipated Completion Date: July, 1st 2019

Sg Br Welsh
(Signature)

Director of Finance
(Title)

12/27/18
(Date)

RUSH COUNTY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on December 27, 2017, with Bryce Welsh, Treasurer; Tammy Jackman, President of the School Board; and Matt Vance, Superintendent of Schools.