

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

KOKOMO SCHOOL CORPORATION

HOWARD COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
03/27/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michelle Cronk	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Jeff Hauswald	07-01-16 to 06-30-19
President of the School Board	Marsha Bowling Cristi Brewer-Allen	01-01-16 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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TO: THE OFFICIALS OF THE KOKOMO SCHOOL CORPORATION, HOWARD COUNTY, INDIANA

This report is supplemental to our audit report of the Kokomo 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/](http://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 26, 2019

KOKOMO SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Title I Grants to Local Educational Agencies - Procurement  
Federal Agency: 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): FY 2016, 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.

The School Corporation did not provide price or rate quotes from an adequate number of sources for purchases of goods or services costing \$3,500 - \$150,000, which fell within the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, in cases where competition was limited and that the limitation was justified.

*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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

KOKOMO SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

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

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

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

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

*Cause*

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

*Effect*

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

KOKOMO 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 2018-002**

Subject: Career and Technical Education -- Basic Grants to States - Procurement  
Federal Agency: Department of Education  
Federal Program: Career and Technical Education -- Basic Grants to States  
CFDA Number: 84.048  
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016, 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.

The School Corporation did not provide price or rate quotes from an adequate number of sources for purchases of goods or services costing \$3,500 - \$150,000, which fell within the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, in cases where competition was limited and that the limitation was justified.

*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). . . ."

2 CFR 200.318 states in part:

"(a) The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part. . . ."

KOKOMO SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

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

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

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

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

*Cause*

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

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

KOKOMO SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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.



### CORRECTIVE ACTION PLAN

**FINDING 2018-001**

Contact Person Responsible: Dr. Dorothea Irwin, Asst. Superintendent  
Mrs. Michelle Cronk, Director of Business

Contact Phone Number: (765) 455-8000

Views of Responsible Official: We concur with the finding.

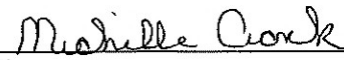
Description of Corrective Action Plan:

With respect to procurement procedures for Title I, the Title I Director and/or Director of Business will ensure that multiple quotes are obtained for any purchase of goods or services costing more than \$3,500 but less than \$150,000 in instances where multiple vendors are available. Documentation for the multiple quotes will be included with purchase order paperwork and filed in the Title I office. In the event that a purchase of a good or service needs to be made where competition does not exist or a vendor is chosen because of specific needs, the Title I Director and/or Director of Business shall include a written rationale for the purchase with the purchase order paperwork and file the rationale in the Title I office. Business Office personnel will ensure this documentation is included in the purchase order packets prior to processing. School building personnel working with the Title I grants will also be notified of this internal control procedure.

  
\_\_\_\_\_  
Signature

Assistant Superintendent  
Title

February 25, 2019  
Date

  
\_\_\_\_\_  
Signature

Director of Business  
Title

February 25, 2019  
Date

Anticipated Completion Date: March 1, 2019



### CORRECTIVE ACTION PLAN

**FINDING 2018-002**

Contact Person Responsible: Mr. Jonathan Schuck, CTE Director  
Mrs. Michelle Cronk, Director of Business

Contact Phone Number: (765) 455-8000

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

With respect to procurement procedures for Career and Technical Education grants, the CTE Director and/or Director of Business will ensure that multiple quotes are obtained for any purchase of goods or services costing more than \$3,500 but less than \$150,000 in instances where multiple vendors are available. Documentation for the multiple quotes will be included with purchase order paperwork and filed in the career center office. In the event that a purchase of a good or service needs to be made where competition does not exist or a vendor is chosen because of specific needs, the CTE Director and/or Director of Business shall include a written rationale for the purchase with the purchase order paperwork and file the rationale in the career center office. Business Office personnel will ensure this documentation is included in the purchase order packets prior to processing. School building personnel working with the Career and Technical Education grants will also be notified of this internal control procedure.

Jonathan D. Schuck  
Signature

Michelle Cronk  
Signature

CTE Director  
Title

Director of Business  
Title

February 25, 2019  
Date

February 25, 2019  
Date

Anticipated Completion Date: March 1, 2019

KOKOMO SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on February 26, 2019, with Michelle Cronk, Treasurer; Dr. Jeff Hauswald, Superintendent of Schools; Cristi Brewer-Allen, President of the School Board; and Lisa Ellison, School Board member.