

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
HAMILTON HEIGHTS SCHOOL CORPORATION
HAMILTON COUNTY, INDIANA
July 1, 2016 to June 30, 2018



FILED
03/30/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Caryn Provence	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Derek Arrowood	07-01-16 to 06-30-19
President of the School Board	Rex McKinney Gwendalyn Hunter Arnett Cooper Laura Reuter	01-01-16 to 12-31-16 01-01-17 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE HAMILTON HEIGHTS SCHOOL
CORPORATION, HAMILTON COUNTY, INDIANA

This report is supplemental to our audit report of the Hamilton Heights 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

March 20, 2019

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Special Education Grants to States - Period of Performance
Federal Agency: Department of Education
Federal Program: Special Education Grants to States
CFDA Number: 84.027
Federal Award Number and Year (or Other Identifying Number): 18611-023-PN01
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Period of Performance
Audit Findings: Material Weakness, Other Matters

Condition

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During 2017-2018, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for following the compliance requirements related to period of performance.

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the period of performance requirements. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

The Special Education grants have a period of performance that requires costs not be incurred prior to the July 1 start of the grant award. For grant 18611-023-PN01, obligations for three of seven tested transactions recorded near the beginning of the grant award were found to have been incurred prior to the start of the period of performance.

Context

The noncompliance was isolated to the 18611-023-PN01 award in the 2017-2018 school year.

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). . . ."

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Period of Performance 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 Period of Performance 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 Period of Performance 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: Special Education Cluster (IDEA) - Procurement

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14216-025-PN01, 14217-025-PN01,
18611-023-PN01, 45717-023-PN01,
18619-023-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Modified Opinion

Condition

The School Corporation was a participating member school corporation of the Hamilton-Boone-Madison Special Services Cooperative (Cooperative). The grant agreements for the federal programs were between the Indiana Department of Education (IDOE) and each member school corporation of the Cooperative. The member school corporations of the Cooperative had determined that it was beneficial to pool their resources to provide special education services to those in need. The Cooperative designated a fiscal agent, who was responsible for the accounting records of the Cooperative. During 2017-2018, the fiscal agent of the Cooperative spent the federal money on behalf of the School Corporation and other member school corporations and was responsible for the Procurement compliance requirement.

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

An effective internal control system was not in place at the Cooperative in order to ensure compliance with requirements related to the grant agreement and the procurement requirements. Because the grant agreements were between the IDOE and each member school corporation of the Cooperative, each member school corporation was ultimately responsible for ensuring compliance with the requirements.

The written procurement policies and procedures of the fiscal agent did not comply with the procurement standards outlined in the criteria below. The written policies did not specify avoiding the acquisition of unnecessary or duplicative items, or that all solicitations should incorporate a description of the technical requirements of the procurement. The fiscal agent also had a policy to use local geographical preferences in the evaluation of bids or proposals.

In addition, for all procurements tested under the Small Purchase procurement method, documentation was not presented for audit to verify that price or rate quotations were obtained from an adequate number of qualified sources, or that the procurements provided full and open competition.

Context

The noncompliance was isolated to the 2017-2018 school year.

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. . . ."

(d) The non-Federal entity's procedures must avoid acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach. . . ."

(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. . . ."

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.319 states in part:

"(a) All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. . . .

(b) The non-Federal entity must conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. . . .

(c) The non-Federal entity must have written procedures for procurement transactions. These procedures must ensure that all solicitations:

- (1) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. . . ."

2 CFR 200.320(b) states:

"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."

Cause

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

Views of Responsible Officials

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

HAMILTON HEIGHTS SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-003

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Education
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): FY2017, FY2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Modified Opinion

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 compliance requirement.

The School Corporation was unable to provide quotes related to small purchases for all of the vendors tested at the small purchase level. The Corporation maintained copies of some quotes for small purchases but not for all small purchases of goods/services where quotes were required to be obtained.

Context

The lack of controls was a systemic issue which occurred throughout the audit period. The lack of supporting documentation prevented the determination of the School Corporation's compliance with the Procurement compliance requirement.

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. . . ."

HAMILTON HEIGHTS 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. . . .

(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 non-competitive 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 that supporting documentation related to the Procurement compliance requirement was maintained and made available for audit.

Effect

The failure to establish an effective internal control system and provide sufficient supporting documentation prevented the determination of the School Corporation's compliance with the grant agreement and the Procurement compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure that documentation related to the grant agreement and the Procurement compliance requirement will be maintained and made available for audit.

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 for Corrective Action: Steve Wornhoff, Director, Hamilton-Boone-Madison Special Services Cooperative

Contact Phone Number: 317-773-2134

Views of Responsible Official: Hamilton Heights School Corporation understands the finding.

Description of Corrective Action Plan: Hamilton Heights School Corporation Business Manager and Treasurer will inquire with the special services cooperative to insure the period of performance is correctly followed for each grant cycle.

Anticipated Completion Date: Effective immediately.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Steve Wornhoff, Director, Hamilton-Boone-Madison Special Services Cooperative

Contact Phone Number: 317-773-2134

Views of Responsible Official: Hamilton Heights School Corporation understands the finding.

Description of Corrective Action Plan: Hamilton Heights School Corporation Business Manager and Treasurer will inquire with the special services cooperative to insure their procurement policy is updated to comply with current federal procurement standards and that those procurement standards are followed.

Anticipated Completion Date: Effective immediately.

FINDING 2018-003

Contact Person Responsible for Corrective Action: Patty Hicks, Food Service Director

Contact Phone Number: 317-984-1530

Views of Responsible Official: Hamilton Heights School Corporation understands the finding.

Description of Corrective Action Plan: Hamilton Heights School Corporation staff will follow Federal award requirements and the HHSC Child Nutrition Program Procurement Plan. In addition to following the plan, HHSC Food Service Director will complete and attach a summary sheet which documents the procedures followed for the various type of purchases.

Anticipated Completion Date: Effective immediately.



(Signature)

Treasurer

(Title)

March 20, 2019

(Date)



HAMILTON HEIGHTS SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2019, with Caryn Provence, Treasurer; Kristin McCarty, Business Manager; Dr. Derek Arrowood, Superintendent of Schools; and Laura Reuter, President of the School Board.