

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF  
NORTH LAWRENCE COMMUNITY SCHOOLS  
LAWRENCE COUNTY, INDIANA  
July 1, 2016 to June 30, 2018



**FILED**  
04/10/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Corbin E. Dietrich (Vacant)	07-01-16 to 01-14-19 01-15-19 to 06-30-19
Superintendent of Schools	Gary D. Connor Ty Mungle (interim)	07-01-15 to 02-15-19 02-16-19 to 06-30-19
President of the School Board	Larry Arnold Kirsten N. Collier Trent Todd	07-01-16 to 12-31-16 01-01-17 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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TO: THE OFFICIALS OF THE NORTH LAWRENCE COMMUNITY  
SCHOOLS, LAWRENCE COUNTY, INDIANA

This report is supplemental to our audit report of North Lawrence Community Schools (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

March 21, 2019

NORTH LAWRENCE COMMUNITY SCHOOLS  
FEDERAL FINDINGS

***FINDING 2018-001***

Subject: Financial Transactions and Reporting  
Audit Finding: Material Weakness

*Condition*

There were several deficiencies in the internal control system of the School Corporation related to financial transactions and reporting.

*Cash and Investments*

There is no documented evidence that the monthly bank reconciliations prepared by the Deputy Treasurer have been reviewed and approved by the Treasurer.

*Food Service Vendor and Payroll Disbursements*

Vendor disbursements and payroll disbursements related to food services are not reviewed and approved by the School Board on the claim dockets. Approval is only documented by the Food Service Director and the Deputy Treasurer.

*Context*

The lack of controls was a systemic issue, which occurred throughout 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 related to financial transactions and reporting.

NORTH LAWRENCE COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

*Recommendation*

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting.

*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 and Suspension and Debarment

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): 16-4700-5075, 17-4700-5075,  
18-4700-5075,  
A58-7-16CI-3986,  
A58-7-17CI-3986,  
A58-8-18CI-5069

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 of Finding 2016-002 from the immediately prior audit report.

*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 have procedures in place to ensure compliance for small-purchase procurements between \$3,000 and \$150,000, nor did they document the rationale for the procurement method used.

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred, or otherwise excluded from or ineligible for participation in federal assistance programs, prior to entering into a contract with them.

*Context*

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

NORTH LAWRENCE COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.318(i) states:

"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. . . ."

(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. . . ."

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 grant agreement and the Procurement and Suspension and Debarment requirements.

NORTH LAWRENCE COMMUNITY SCHOOLS  
FEDERAL FINDINGS  
(Continued)

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment 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 and implement procedures 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.



# NORTH LAWRENCE COMMUNITY SCHOOLS

460 W Street • P.O. Box 729 • Bedford, IN 47421-0729

(812) 279-3521

## SCHOOLS

Bedford North Lawrence High School

Bedford Middle School

Dollens Elementary School

Englewood School

Fayetteville Elementary School

Heltonville Elementary School

Lincoln Elementary School

Needmore Elementary School

Oolitic Middle School

Parkview Primary Elementary School

Parkview Intermediate Elementary School

Shawswick Elementary/Middle School

Springville Elementary School

Stalker Elementary School

North Lawrence Career Center

## CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Amanda Hoffman, Deputy Treasurer

Contact Phone Number: NLCS: 812-279-3521 Ext. 16221

Views of Responsible Official:

We concur with the finding however, the treasurer and deputy treasurer worked closely together in balancing the bank statement. If there was ever a situation where the bank was out of balance, it was fixed before moving on to the next month. This audit finding is a learning experience for our department.

Description of Corrective Action Plan:

We will add two lines to our bank reconciliation cover page that the corporation treasurer will sign off as approving the bank statement for that month. We will also have the deputy treasurer sign off as the preparer.

Anticipated Completion Date: 3/21/19

Amanda Hoffman  
(Signature)

Deputy Treasurer  
(Title)

3-21-19  
(Date)



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Springville Elementary School

Stalker Elementary School

North Lawrence Career Center

## CORRECTIVE ACTION PLAN

### FINDING 2018-001

Contact Person Responsible for Corrective Action: Amanda Hoffman, Deputy Treasurer

Contact Phone Number: NLCS: 812-279-3521 Ext. 16221

### Views of Responsible Official:

We concur with the finding however, the current treasurer and deputy treasurer were not aware that this was a policy regarding Food Services. Previous administration trained our staff to keep the two entities separate and not include as part of the board claims. We pulled board claims from 2012 – present to see if we could find Food Services. We could not locate and Food Services claims or payroll on the board vouchers. This is a learning experience for our office.

### Description of Corrective Action Plan:

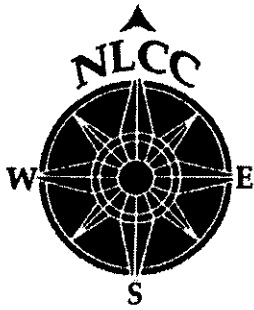
We will add Food Service claims and payroll to the board vouchers going forward with our next board.

Anticipated Completion Date: 4/25/19

Amanda Hoffman  
(Signature)

Deputy Treasurer  
(Title)

3-21-19  
(Date)



**NORTH LAWRENCE CAREER CENTER**  
258 BNL Drive • Bedford, IN 47421  
PHONE (812) 279-3561 • FAX (812) 275-1578

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**CORRECTIVE ACTION PLAN**

**FINDING 2018-002**

Contact Person Responsible for Corrective Action: Paul Sanders, NLCC Director

Contact Phone Number: NLCC: 812-279-3561, Ext. 48114

Views of Responsible Official: We will add the dimension of verifying vendors for suspension issues who are candidates for purchases that meet or exceed the applicable threshold beyond small purchases before making those purchases and housing records for same in terms of verifying vendors. I apologize for the confusion that was caused by the change in our building administration and the circumstances surrounding those changes. Also, I believe the changes we have made in our procurement processes have been applicable to alleviating that confusion.

Description of Corrective Action Plan:

*Small Purchase Methods/Procedures*

The following summary pertains to small procurement procedures for relatively simple and informal procurement methods to secure services, supplies, or other property from our Perkins Grant Budget Line items.

1. Staff members request a service, supply, or other property item from the CTE Director in the form of a written request that contains such information as price, description, and possible vendor to be used for the procurement.
2. The NLCC/CTE Director presents the request to the NLCC Treasurer and the Director works with the Treasurer to thoroughly and completely verify the purchase is in compliance with Perkins rules and standards for expenditures.
3. If found to be in Perkins compliance, the Treasurer informally secures prices from various vendors along with other considerations such as shipping costs and delivery timelines, and with

the CTE Director's approval, assigns a purchase order to the purchase with these considerations.

4. Upon delivery of purchased items and considering the size of the delivery, the Treasurer assigns delivery to the staff member who requested the item(s) and prepares the records that indicate the purchase is complete including respective inventory additions and labeling of the equipment for inventory control.

*Larger Purchases*

Larger purchases than those above are requested by instructors with the recommendation of the CTE Individual Program Advisory Committees (IPAC) that are required to operate within the DOE guidelines. Bids are considered and taken into account within the framework of those Advisory Committee recommendations. Once a vendor is selected, the procurement of the equipment follows the same procedure and work flow between the CTE Director and Treasurer as steps 1-4 above.

Anticipated Completion Date: March 19, 2019



\_\_\_\_\_  
(Signature)

NLCC DIRECTOR

(Title)

3-21-19

(Date)

NORTH LAWRENCE COMMUNITY SCHOOLS  
EXIT CONFERENCE

The contents of this report were discussed on March 21, 2019, with Amanda Hoffman, Deputy Treasurer; Ty Mungle, interim Superintendent of Schools; and Trent Todd, President of the School Board.