

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LOOGOOTEE COMMUNITY SCHOOL CORPORATION

MARTIN 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	Sandra LaMar	01-01-16 to 12-31-19
Superintendent of Schools	Chip Mehaffey	07-01-16 to 06-30-21
President of the School Board	Brent Courter	01-01-16 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LOOGOOTEE COMMUNITY SCHOOL
CORPORATION, MARTIN COUNTY, INDIANA

This report is supplemental to our audit report of the Loogootee Community 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

April 2, 2019

LOGOOTEER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

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

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 following compliance requirements:

Activities Allowed or Unallowed

There were no controls in place to ensure that all payments made were for allowable activities. Claims were prepared to the food service management company without any review of supporting documentation to determine that items included in the claim were for allowable activities.

Allowable Costs/Cost Principles

There were no controls in place to ensure that all payments made were for allowable costs. Claims were prepared to the food service management company without any review of supporting documentation to determine that items included in the claim were for allowable costs.

Context

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

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the compliance requirements listed above.

LOGOOTE Community School Corporation
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system 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 a system of internal controls related to 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 2018-002

Subject: Child Nutrition Cluster - Reporting

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-002.

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 Food Service Director had sole responsibility for preparing and submitting the Monthly Sponsor Claims, while the food service management company had sole responsibility for preparing and submitting the Annual Financial Reports. There was no evidence of any oversight, review, or approval process to ensure the accuracy of the reports submitted.

One of the three Monthly Sponsor Claims tested did not have adequate supporting documentation to verify the accuracy of the information reported; therefore, compliance with the reporting requirement could not be determined.

LOGOOTEЕ COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls was a systemic issue throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting 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 200.302(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. . . .
- (3) Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation. . . ."

2 CFR 200.207(a) states in part: "The Federal awarding agency or pass-through entity may impose additional specific award conditions as needed . . ."

Indiana Department of Education's *General Instructions: Annual Financial Report* states:

"All data reported is on a School Food Authority basis. It should include all financial transactions from July 1 through June 30, thereby accurately reflecting the financial position of the School Food Service Fund as of June 30. Accurate supporting documentation must be maintained by appropriate accounting officials whether consolidated Corporation-level accounting is used, or one or more Extra-Curricular accounts at separate schools are used. The income total and expense total boxes should agree exactly with total revenues and total expenditures recorded in the SFA's accounting records. All expenses need to be allocated appropriately to all existing programs."

LOGOOTEER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the grant agreement and that documentation was maintained and made available for audit related to the Reporting compliance requirement.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and that documentation is maintained and made available for audit related to 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 2018-003

Subject: School Breakfast Program, National School Lunch Program - Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

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): FY 16-17, FY 17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-004.

LOGOOTEER COMMUNITY SCHOOL CORPORATION
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 Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements. There was no segregation of duties documented, such as an oversight, review, or approval process, over the verifications performed or the preparation of the School Food Authority (SFA) Verification Collection Reports that were filed.

The 2017-2018 School Food Authority (SFA) Verification Collection Report (Verification Summary) indicated that three applications were selected for verification; however, information was not available to support the total number of applications that were reported on the Verification Summary in order to determine whether the correct number of applications were selected for verification. In addition, the verification sections of the three verified applications were not completed. Even though the School Corporation provided wage verification documentation for the selected applications, determination could not be made to ensure the students' status, based on the wage verification documentation, was properly changed to a new eligibility status, if applicable.

Context

The lack of controls was a systemic issue throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications 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). . . ."

7 CFR 245.11(c) states in part:

"Local educational agency requirements. Beginning July 1, 2014, and each July 1 thereafter, local educational agencies selected by the State agency to conduct a second review of applications must ensure that the initial eligibility determination for each application is reviewed for accuracy prior to notifying the household of the eligibility or ineligibility of the household for free and reduced price meals. The second review must be conducted by an individual or entity who did not make the initial determination. This individual or entity is not required to be an employee of the local educational agency but must be trained on how to make application determinations. All individuals or entities who conduct a second review of applications are subject to the disclosure requirements set forth in § 245.6(f) through (k). . . ."

LOGOOTE Community School Corporation
FEDERAL FINDINGS
(Continued)

7 CFR 245.6a(h) states in part:

"Verification reporting and recordkeeping requirements. By February 1, each local educational agency must report information related to its annual statutorily required verification activity, which excludes verification conducted in accordance with paragraph (c)(7) of this section, to the State agency in accordance with guidelines provided by FNS. . . . All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or local educational agency must be retained. Local educational agencies are encouraged to collect and report any or all verification data elements before the required dates. . . ."

2 CFR 200.302(b)(3) states:

"Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation."

2 CFR 200.333 states in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient. . . ."

Cause

The School Corporation had not developed a system of internal controls to ensure compliance with the grant agreement and that documentation was maintained and made available for audit related to the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Effect

The failure to retain and provide appropriate supporting documentation prevented the determination of the School Corporation's compliance with the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Questioned Costs

There were no questioned costs identified.

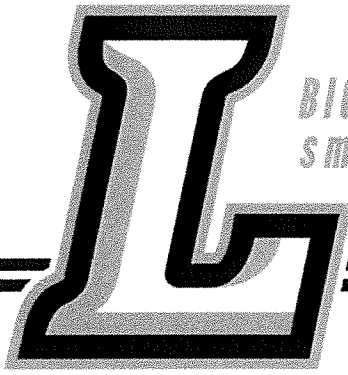
LOGOOTEER COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and that documentation is maintained and made available for audit related to the Reporting and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) compliance requirements.

Views of Responsible Officials

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



*BIG ENOUGH TO DELIVER
small enough to care*

Chip Mehaffey, Superintendent
Sandra LaMar, Treasurer
Brenda Mathies, Secretary

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Sandra LaMar, Corporation Treasurer
Contact Phone Number: (812) 295-2595

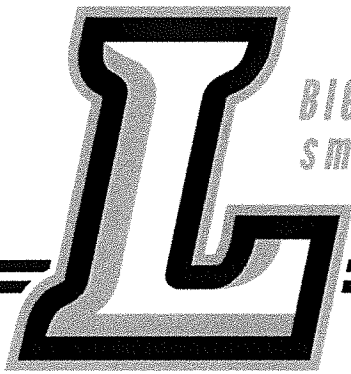
Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The food service management company will send the corporation office a transaction detail report with the monthly statement. The Corporation Treasurer or Deputy Treasurer will review the report and ask for supporting documentation if needed.

Anticipated Completion Date: Immediately


Sandra LaMar, Corporation Treasurer

3-28-19
Date



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**Chip Mehaffey, Superintendent
Sandra LaMar, Treasurer
Brenda Mathies, Secretary**

CORRECTIVE ACTION PLAN

FINDING 2018-002

Contact Person Responsible for Corrective Action: Sandra LaMar, Corporation Treasurer
Patti Sander, Food Service Director


Contact Phone Number: (812) 295-2595

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: We have previously corrected the issue with monthly claims following the finding in January 2018. The Food Service Director enters the claim data and prints the face sheet for the Corporation Treasurer to review. The Treasurer reviews, signs and dates the claim. The Food Service Director will also keep all supporting documents with monthly claim for audit purposes.

The Annual Financial Report will be completed by the Food Service Management Company and then reviewed for accuracy by the Corporation Treasurer. Both parties will sign off on the AFR.

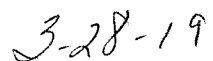
Anticipated Completion Date: Immediately



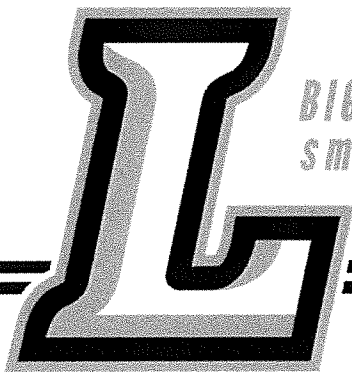
Sandra LaMar, Corporation Treasurer



Patti Sander, Food Service Director



Date



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**Chip Mehaffey, Superintendent
Sandra LaMar, Treasurer
Brenda Mathies, Secretary**

CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Sandra LaMar, Corporation Treasurer
Patti Sander, Food Service Director


Contact Phone Number: (812) 295-2595

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director will retain paper copies of all free and reduced applications. When changes are made to applications she will keep documentation which reflects the changes. These copies will be kept in her office for review.

The Food Service Director will make available documentation to support applications for verification.

Anticipated Completion Date: Immediately



Sandra LaMar, Corporation Treasurer



Patti Sander, Food Service Director

3-28-19

Date

LOGOOTEЕ COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2019, with Chip Mehaffey, Superintendent of Schools; Sandra LaMar, Treasurer; Brent Courter, President of the School Board; Tim Stoner, Aramark General Manager; and Patti Sander, Food Service Director.