

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

CRAWFORD COUNTY COMMUNITY
SCHOOL CORPORATION
CRAWFORD COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/02/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tina L. Key	07-01-16 to 12-31-19
Superintendent of Schools	W. Garry DeRossett (Vacant)	01-01-16 to 01-05-18
	Michael Key (interim)	01-06-18 to 01-07-18
	Michael Key	01-08-18 to 06-30-18
	Michael Key	07-01-18 to 06-30-21
President of the School Board	Traci Kerns	01-01-16 to 12-31-16
	Lance Stroud	01-01-17 to 12-31-18
	Dennis Talley	01-01-19 to 12-31-19



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 CRAWFORD COUNTY COMMUNITY
SCHOOL CORPORATION, CRAWFORD COUNTY, INDIANA

This report is supplemental to our audit report of the Crawford County 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

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

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

Repeat Finding

This is a repeat of Finding 2016-001 from the immediately prior audit report.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors in the financial information entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the Schedule of Expenditures of Federal Awards (SEFA).

Context

The SEFA contained the following errors:

1. The National School Lunch Program Commodities were understated by \$40,889 and \$6,608 for fiscal year 2016-2017 and fiscal year 2017-2018, respectively.
2. The Child Nutrition Discretionary Grants Limited Availability program was excluded from fiscal year 2017-2018, resulting in an understatement in the amount of \$48,614.
3. The Title I Grants to Local Educational Agencies School Improvement program was excluded from fiscal year 2017-2018, resulting in an understatement in the amount of \$27,852.
4. The Supporting Effective Instruction State Grants program was understated by \$105,502 for fiscal year 2016-2017.

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

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. . . .

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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.
- (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*.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 2018-002

Subject: Financial Transactions and Reporting - Employee Benefit Trust
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit report.

Condition

Management of the School Corporation had not established an adequate internal control system related to financial transactions and reporting of its Employee Benefit Trust fund. There was no evidence of a review, oversight, or approval process to ensure the accuracy of the transactions and balances within the fund. The lack of controls enabled material misstatements to the financial statement and noncompliance to occur and remain undetected.

The School Corporation created the Employee Benefit Trust fund to account for costs incurred for insurance premiums and other medical expenses. The School Corporation created a separate bank account to transfer funds into each month to cover these expenditures. However, the School Corporation did not include the receipts, disbursements, or cash balances of the Employee Benefit Trust fund in its financial records. As a result, receipts, disbursements, and cash and investments on the financial statement were understated in the amounts of \$1,982,834, \$1,681,032, and \$2,379,818, respectively, for the period ending June 30, 2017, and \$1,912,725, \$2,094,502, and \$2,198,041, respectively, for the period ending June 30, 2018.

The majority of disbursements in the Employee Benefit Trust fund were electronic fund transfers generated by third-party vendors, which were set up to automatically draft payments from the bank account. The remaining disbursements were made by check, which were prepared by the Assistant Treasurer. The disbursements out of the Employee Benefit Trust fund were reviewed and approved each month by the fiscal officer as part of the reconciliation of the bank statement, but circumvented the School Corporation's standard claims process during the audit period, as none were approved by the School Board.

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

Context

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

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
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. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

Indiana Code 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . .

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls that would have ensured compliance and proper reporting of the receipts, disbursements, and cash balances of the Employee Benefit Trust fund.

Effect

The failure to establish a proper system of internal controls enabled noncompliance to occur and material misstatements of the financial statement related to the Employee Benefit Trust fund to remain undetected.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting of the Employee Benefit Trust fund. Additionally, we recommended that the School Corporation account for the Employee Benefit Trust fund transactions in its financial records and ensure that Employee Benefit Trust fund disbursements go through the proper approval process prior to payment.

CRAWFORD COUNTY COMMUNITY 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 2018-003

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: Reporting, Special Tests and Provisions - Verification of Free
and Reduced Price Applications (NSLP), Special Tests and
Provisions - Paid Lunch Equity

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:

Reporting

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the Annual Financial Reports, the Monthly Sponsor Claims, and the School Food Authority (SFA) Verification Collection Reports that were filed. The reports were completed by the Food Service Director without any evidence of segregation of duties, such as an oversight, review, or approval process to verify the accuracy of the reports prior to submission.

Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the School Food Authority (SFA) Verification Collection Reports filed. The verifications were performed by the Food Service Director, who had also prepared and submitted the reports. There was no evidence of segregation of duties, such as an oversight, review, or approval process to verify the accuracy of the verifications performed.

Special Tests and Provisions - Paid Lunch Equity

The School Corporation had not designed or implemented adequate policies and procedures to ensure the accuracy of the paid lunch equity calculations. The Food Service Director performed the calculations without any evidence of segregation of duties, such as an oversight, review, or approval process to verify the accuracy of the calculations performed.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
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). . . ."

Cause

The management of the School Corporation had not developed or implemented a system of internal controls to ensure compliance with the grant agreement and the compliance requirements listed above.

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. A lack of segregation of duties within an internal control system could have also enabled noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, review, and approval over the activities of the programs.

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 2018-004

Subject: School Breakfast Program, National School Lunch Program - Allowable Costs/Cost Principles
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 Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

CRAWFORD COUNTY 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 Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not maintain the appropriate time and effort reporting for all employees who worked on the federal award. The School Corporation was allocating a portion of the Treasurer and Assistant Treasurer's salaries to the federal award for administrative functions related to the processing of vendor and payroll claims. Adequate time records were not maintained to support the time charged to the federal award.

Context

The lack of internal 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 200.430(i) states in part:

"*Standards for Documentation of Personnel Expenses* (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

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

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Allowable Costs/Cost Principles 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 Allowable Costs/Cost Principles 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 2018-005

Subject: Child Nutrition Cluster - Procurement

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: 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 have formalized procedures in place to adequately document procurement selections. The School Corporation did not present evidence that price or rate quotations were obtained from an adequate number of qualified sources in order to provide full and open competition or support the rationale to limit competition in cases where competition was limited and that the limitation was justified for small purchase procurements.

Context

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

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
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. . . .

(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 of the School Corporation 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.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
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.

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 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.

FINDING 2018-006

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 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
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 Procurement and Suspension and Debarment compliance requirement.

The Title I Director was responsible for making purchases for the program. The Superintendent of Schools signed the purchase orders and approved the items purchased during the audit period; however, independent reviews of the procurement methods used were not conducted to ensure that they were appropriate or that documentation was available to support the rationale to limit competition in instances where there was not full and open competition.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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 of the School Corporation 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 placed the School Corporation at risk of 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 related to 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.

FINDING 2018-007

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

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): 14215-056-PN01, 14216-054-PN01,
14217-054-PN01, 18611-054-PN01,
45715-056-PN01, 45716-054-PN01,
45717-054-PN01, 18619-054-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 of Finding 2016-005 from the immediately prior audit.

CRAWFORD COUNTY 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 Allowable Costs/Cost Principles compliance requirement.

During fiscal year 2016-2017, the School Corporation was a participating member of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements. The School Corporation relied on the Cooperative for compliance with requirements pertaining to Allowable Costs/Cost Principles.

No evidence was presented by the Cooperative that Semi-Annual Certifications were completed and certified during the audit period for any employees who were paid solely from special education funds. No evidence was presented that Personnel Activity Reports were prepared and signed during the audit period for any employees who were paid from multiple cost objectives. Additionally, no records of activity were presented for audit for any employees paid either solely or partially from special education funds.

During fiscal year 2017-2018, the School Corporation assumed payroll responsibilities for the special education teachers and aides. The School Corporation did not maintain the required time and effort documentation. Eleven time cards tested for hourly employees paid from the special education program did not specify that the employee worked on the special education program. Additionally, Semi-Annual Certifications or similar documentation were not maintained for the certified teaching staff working solely on the special education cost objective.

Context

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

Criteria

OMB Circular A-87, Attachment B, section 8(h) 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). . . ."

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

". . . (3) 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.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (See subsection(6)) or other substitute system has been approved by the cognizant Federal agency. . . ."

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.

These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated;
- (ii) Be incorporated into the official records of the non-Federal entity;
- (iii) Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities (for IHE, this per the IHE's definition of IBS); . . .
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which allocated using different allocation bases; or an unallowable activity and a direct or indirect costs activity. . . ."

Cause

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

Effect

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

CRAWFORD COUNTY COMMUNITY 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 2018-008

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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): 14215-056-PN01, 14216-054-PN01,
14217-054-PN01, 18611-054-PN01,
45715-056-PN01, 45716-054-PN01,
45717-054-PN01, 18619-054-PN01

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 2016-006 from the immediately prior audit.

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 was a participating member school of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the special education grant funds. Because the grant agreements were between the Indiana Department of Education and each member of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements. The School Corporation was relying on the Cooperative for compliance with requirements pertaining to Procurement and Suspension and Debarment.

Procurement - General Procurement Standards

The Cooperative had a written procurement policy; however, it did not reflect the required state and federal laws and regulations.

The Cooperative did not maintain written standards of conduct covering conflicts of interest concerning employees engaged in the selection, award, and administration of contracts supported by federal awards.

Suspension and Debarment

The Cooperative's Director signed the Application and Assurance Plan as a condition of federal assistance, which stated that the Cooperative would verify that contractors were not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded by any federal agency or by any department, agency, or political subdivision of the State of Indiana.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

However, the School Corporation did not have procedures in place to monitor that the Cooperative verified that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a covered transaction with them.

Context

The lack of an adequate written procurement policy and the lack of a written conflict of interest policy were isolated to fiscal year 2017-2018.

There were three contracts during 2016-2017 and five contracts during 2017-2018 that exceeded \$25,000; however, the Cooperative could not provide documentation that a verification that the vendor was not suspended and debarred was performed prior to entering into covered transactions with these vendors.

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 200.318(a) states: "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."

2 CFR 200.318(c)(1) states in part: "The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. . . ."

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:

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (a) Checking 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

The management of the School Corporation 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.

Views of Responsible Officials

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

FINDING 2018-009

Subject: Special Education Cluster (IDEA) - Reporting

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): 14215-056-PN01, 45715-056-PN01,
14216-054-PN01, 45716-054-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Reporting

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 Reporting compliance requirement. The School Corporation was a participating member school of the South Central Area Special Education Cooperative (Cooperative). The Cooperative operated the special education program on behalf of the School Corporation and managed the grant funds. Because the grant agreements were between the Indiana Department of Education (IDOE) and each member of the Cooperative, the School Corporation was ultimately responsible for ensuring compliance with the requirements. The required final reports were not completed and submitted to the IDOE.

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The final reports were not prepared and submitted for any awards that concluded during 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) states in part:

"The financial management systems of other grantees and subgrantees must meet the following standards:

(1) *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 . . ."

Cause

Management of the School Corporation had not developed a system of internal controls related to the grant agreement and the Reporting compliance requirement.

Effect

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Questioned Costs

There were no questioned costs identified.

Recommendation

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



CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Assistant Superintendent
Contact Phone Number: 812-365-2135
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Each year, the Assistant Superintendent will prepare a list of all federal awards and will complete the Schedule of Expenditures for Federal Awards as required at the end of each fiscal year. The Assistant Treasurer will be provided with the list of all federal awards for the fiscal year and will review all documentation supporting the Schedule's content for accuracy and completeness prior to the Schedule's submission.

Anticipated Completion Date: June 30, 2018

FINDING 2018-002

Contact Person Responsible for Corrective Action: Treasurer
Contact Phone Number: 812-365-2135
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: At the end of each month, the Assistant Treasurer will submit a copy of the Employee Benefit Trust bank statement that includes all fund receipts and disbursements to the Crawford County Board of Trustees for approval by the Allowance of Vouchers Form. The Treasurer will also provide to the SBOA in the form 13 process at the beginning of each audit the Employee Benefit Trust financial information.

Anticipated Completion Date: June 30, 2018

FINDING 2018-003

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: 812-365-2125
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Verification of Free and Reduced Price Applications - The Food Service Director will continue to perform the verification process and will submit the information gathered and the report to the Assistant Superintendent for review and approval. Paid Lunch Equity - The Food Service Director will continue to evaluate and perform the calculations for the Paid Lunch Equity and will submit this information to the Assistant Superintendent for review and approval.

Anticipated Completion Date: June 30, 2018

FINDING 2018-004

Contact Person Responsible for Corrective Action: Treasurer
Contact Phone Number: 812-365-2135
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Treasurer and the Assistant Treasurer will submit a Personal Activity Report monthly that comply with the Allowable Costs/Cost Principles Federal compliance requirement and reflect the total activity for which the Treasurer and the Assistant Treasurer are compensated by the Federal entity. Additionally, these Personal Activity Reports will be approved by the Assistant Superintendent and incorporated into official records.

Anticipated Completion Date: June 30, 2018



FINDING 2018-005

Contact Person Responsible for Corrective Action: Food Service Director
Contact Phone Number: 812-365-2125
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Procurement - The Food Service Director will continue to seek knowledge that will enable her to improve the Child Nutrition procurement process. The Food Service Director will continue to improve the micro purchase, small purchase, sealed bid, and documentation processes for procurement. Due to the fact that we are a very rural community and there are not many options when we need supplies immediately, the Food Service Director will look into adding an emergency clause into the food service departments' procurement plan. The Assistant Treasurer will review all purchases.

Anticipated Completion Date: June 30, 2018

FINDING 2018-006

Contact Person Responsible for Corrective Action: Title I Director
Contact Phone Number: 812-739-2210
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The IAESC Procurement Site is the first and primary source for purchase of supplies for Federal Grants. All requisitions will be reviewed by the Title I Director and Assistant Treasurer to ensure that they are made through the IAESC Procurement Site when possible. Occasionally items are not available on the Procurement Site, are only available through specific vendors, or are less expensive through other vendors. When items/services are purchased outside of the Procurement Site, the Title I Director and/or Assistant Treasurer will maintain documentation of the reason (specific vendors, lower prices, etc.). Crawford County Community Schools has limited resources for purchase of supplies and seeks the most economical purchase by comparing IAESC Procurement Site prices to outside source prices prior to purchase. Often resources, particularly curriculum and assessment resources are only available through specific vendors. Professional development and curricular and assessment materials are selected by program qualities.

Anticipated Completion Date: June 30, 2018

FINDING 2018-007

Contact Person Responsible for Corrective Action: Title I Director
Contact Phone Number: 812-739-2210
Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: Semi-Annual Certifications will be completed for any employees who were paid solely from Special Education Funds. Non-certified employees will complete bi-weekly timesheets (personal activity reports) which will specify that the employee works on the Special Education program for each cost objective when paid from multiple cost objectives. Semi-annual certifications will be completed on all employees (certified & non-certified) who are paid 100% from Special Education funds.

Anticipated Completion Date: June 30, 2018



FINDING 2018-008

Contact Person Responsible for Corrective Action: Superintendent
 Contact Phone Number: 812-365-2135
 Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: The Special Education Director will ensure that all subcontractors are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded by any federal agency or by any department, agency or political subdivision of the State Indiana. The Coop Board/Superintendent will ensure that all documentation required for subcontractors is on file at the Special Education Cooperative office.

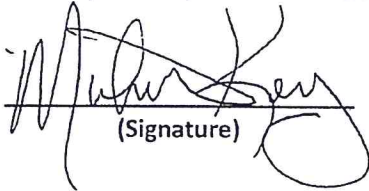
Anticipated Completion Date: June 30, 2018

FINDING 2018-009

Contact Person Responsible for Corrective Action: Superintendent
 Contact Phone Number: 812-365-2135
 Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan: : The Special Education Director will ensure that all required federal grant reports are completed and submitted in a timely manner. The Coop Board/Superintendent will ensure that all reports and documentation required are submitted and on file at the Special Education Cooperative office.

Anticipated Completion Date: June 30, 2018


 (Signature)

Superintendent

(Title)

3-18-19

(Date)

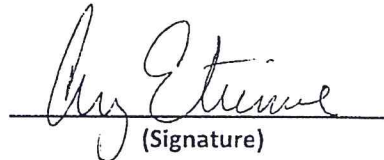

 (Signature)

Business Manager

(Title)

3/8/19

(Date)

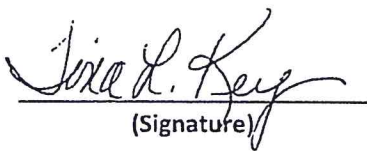

 (Signature)

Title I Director

(Title)

3/18/19

(Date)

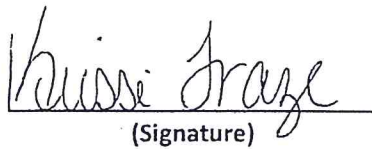

 (Signature)

Treasurer

(Title)

March 18, 2019

(Date)

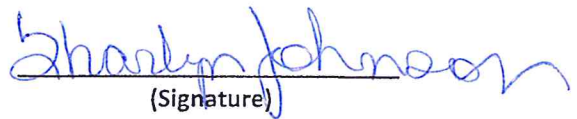

 (Signature)

Assistant Treasurer

(Title)

3/18/19

(Date)


 (Signature)

Food Service Director

(Title)

3/18/19

(Date)

CRAWFORD COUNTY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2019, with Michael Key, Superintendent of Schools; James Smith, Assistant Superintendent of Schools; Tina L. Key, Treasurer; Krissi Frazee, Assistant Treasurer; Amy Etienne, Title I Administrator; Sharlyn Johnson, Food Service Director; and Wayne Carothers, School Board member.