

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

RICHMOND COMMUNITY SCHOOLS

WAYNE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/10/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Karen Scalf	07-01-16 to 12-31-19
Superintendent of Schools	Dr. Todd Terrill	07-01-15 to 07-31-19
President of the School Board	Dixie Robinson Suzanne Derengowski Brad Walton	01-01-16 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19



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TO: THE OFFICIALS OF THE RICHMOND COMMUNITY SCHOOLS, WAYNE COUNTY, INDIANA

This report is supplemental to our audit report of the Richmond 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/.

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 15, 2019

RICHMOND COMMUNITY SCHOOLS
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

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

The School Corporation had not separated incompatible activities related to cash and receipts. One employee received money, issued official receipts, prepared bank deposits and deposit slips, took deposits to the bank, posted receipts, and approved adjustments without a sufficient oversight, review, or approval process.

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 had not established a proper system of internal controls related to financial transactions and reporting over cash and receipts.

Effect

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

RICHMOND COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to financial transactions and reporting over cash and receipts.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Child Nutrition Cluster - Cash Management, Reporting, Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP), Special Tests and Provisions - Paid Lunch Equity

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 2016/2017, FY 2017/2018

Pass-Through Entity: Indiana Department of Education

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

Audit Finding: Material Weakness

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 following compliance requirements:

Cash Management

The School Corporation had not established a system of internal controls to verify if net cash resources exceeded three months average expenditures, including an oversight, review, or approval process.

Reporting

The School Corporation had not established a system of internal controls to verify the accuracy of reports submitted to the state. One employee prepared and submitted the Annual Financial Report without an oversight, review, or approval process.

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

The School Corporation had not established a system of internal controls over the free and reduced priced lunch applications. One employee performed all procedures related to the verification of free and reduced price applications without an oversight, review, or approval process.

RICHMOND COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

Special Tests and Provisions - Paid Lunch Equity

The School Corporation had not established a system of internal controls related to the calculation of paid lunch equity. One employee performed all the procedures related to the paid lunch equity calculations without an oversight, review, or approval process.

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:

(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 School Corporation had not developed a system of internal controls that segregated key functions and that would have ensured compliance with the 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 allowed noncompliance with those compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to the grant agreement and 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.

RICHMOND COMMUNITY SCHOOLS
FEDERAL FINDINGS
(Continued)

FINDING 2018-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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 2016/2017, FY 2017/2018
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 finding from the immediately prior audit report. The prior audit finding number was 2016-003.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation did not have procedures in place to verify that vendors were not suspended or debarred. The School Corporation did not verify if the applicable vendors were suspended or debarred during the audit period.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 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:

RICHMOND COMMUNITY SCHOOLS
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

Management had not developed a system of internal controls to ensure 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 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 2018-004

Subject: Title I Grants to Local Educational Agencies - Procurement and Suspension and Debarment; Special Tests and Provisions - Annual Report Card, High School Graduation Rate; Special Tests and Provisions - Assessment System Security

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): 16-8385, S010A150014, 17-8385, S010A160014, 18-8385

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Procurement and Suspension and Debarment; Special Tests and Provisions - Annual Report Card, High School Graduation Rate; Special Tests and Provisions - Assessment System Security

Audit Finding: Material Weakness

Condition

An effective internal control system, which would include segregation of duties, 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:

RICHMOND COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Condition)

Procurement

The School Corporation had not established a system of internal controls to ensure price or rate quotations were obtained for procurements over \$3,500, including an oversight, review, or approval process.

Special Tests and Provisions - Annual Report Card, High School Graduation Rate

The School Corporation had not established a system of internal controls to ensure that student removal from the cohort was properly reviewed, including an oversight, review, or approval process.

Special Tests and Provisions - Assessment System Security

The Testing Security Coordinator prepared the School Corporation's test security policy without an oversight, review, or approval process.

Context

The lack of internal controls was a systemic problem, 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). . . ."

Cause

The School Corporation had not developed a system of internal controls that segregated key functions and that would have ensured compliance with the 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 allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

RICHMOND COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Condition)

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.



Richmond Community Schools

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State Board of Accounts
Indianapolis, IN

The following plan has been in place prior to or will be put in place immediately following our final exit conference with the Field Auditor and Audit Supervisor April 15, 2019.

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Karen Scalf
Contact Phone Number: (765)973-3406

We concur with the finding and have put in place additional controls to meet the recommendation, however due to the delay by State Board of Accounts in performing the prior audit, implementation could not occur until late in the audit period. Corrections have been implemented and are currently in place.

Description of Corrective Action Plan: Due to the delay in audit by State Board of Accounts, corrective action could not take place until late in the Audit period. The corporation has reinstated a previously vacant position to work in the Business Office as a support in the cash and receipts area as well as other routine duties. The CFO or Deputy Treasurer will take deposits to the bank, verify postings, and approve any adjustments. A plan to correct this finding was not in place until March of 2019 due to training requirements, but is now active.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Margaret LaRue, Robert Tidrow
Contact Phone Number: (765)973-3309

We concur with the finding and have put in place additional controls to meet the recommendation, however due to the delay by State Board of Accounts in performing the prior audit, implementation could not occur until late in the audit period. Corrections have been implemented and are currently in place.

Description of Corrective Action Plan:

Due to the delay in audit by State Board of Accounts, corrective action could not take place until late in the Audit period. Free/Reduced Confirmation review-A confirmation review will be performed on three percent (minimum) of all Free/Reduced meal applications submitted on paper. This will be accomplished by the Head Cashier with the assistance of the Food Service Clerk in the food service office. The staff will arrange applications by school and count and review the information entered into our P.O.S. (mosaic) of every third application. Any discrepancies will be dealt with at the time of review. Any changes in the status of meal benefits will take place according to the D.O.E. guidelines. Online meal applications will have three percent reviewed by the Food Service Clerk. This will be accomplished by printing a listing of online applications and finding three percent. Then randomly selecting by application number, printing application and reviewing information NutriCloud imported into our P.O.S. Any discrepancies will be dealt with at the time of review and follow all D.O.E. guidelines for changes in meal benefits.

Free/Reduced Application Verification-Verification of Free/Reduced meal applications will be performed each school year according to the D.O.E. guidelines. All meal applications selected for verification will be cross referenced with the D.O.E. app center "look-up" site. The look up checks for direct certification status as well as direct verification status results. If a household is identified as directly certified or directly verified during the look up then no further verification is needed. Before ending the verification process, the Food Service Coordinator will review all paperwork, check stubs, public assistance award letters, etc. to ensure accuracy. The Food Service Coordinator will sign the verification folder to show it has been reviewed before submitting the S.F.A. report.

Cash balance-Along with the monthly comparison of revenue and expenses to the previous year, a quarterly comparison will be calculated using the revenue, expenditure, and fund reports. Each quarter, the totals will be added to 3 previous quarter figures. This average will help determine the allowable cash balance. Notes will be made if the cash balance is higher than allowable, should a near future purchase be expected.

Annual Financial Report-The Annual Financial Report is prepared by the Food Service Coordinator, using the DOE worksheet. After completion, the report will be reviewed by either the Food Service Secretary or the Chief Financial Officer.

Paid Equity Tool-The Food Service Coordinator will prepare the Paid Equity Tool using the DOE spreadsheet. The reports and the Tool will be sent to the Chief Financial Officer along with a spreadsheet to recalculate the data for accuracy. Both the Tool and the spreadsheet will be sent to the Chief Financial Officer for review and data storage.

FINDING 2018-003

Contact Person Responsible for Corrective Action: Margaret LaRue, Robert Tidrow
Contact Phone Number: (765)973-3309

We concur with the finding and have put in place additional controls to meet the recommendation, however due to the delay by State Board of Accounts in performing the prior audit, implementation could not occur until late in the audit period. Corrections have been implemented and are currently in place.

Description of Corrective Action Plan:

Due to the delay in audit by State Board of Accounts, corrective action could not take place until late in the Audit period. Suspension and Disbarment-Each year when the Food Service Bid tabulation is completed and awarded, all awarded vendor companies will be checked on Sam.gov to be sure the company is in good standing. All new companies to be purchased from will be checked before awarding purchase orders.

FINDING 2018-004

Contact Person Responsible for Corrective Action: Corey Hartley, Michael Shunneson, Karen Scalf, Jennifer O'Brien
Contact Phone Number (765)973-3406

Description of Corrective Action Plan:

We understand the finding and have put the following actions into place: Dual signature verification will be put into place immediately for all reporting and compliance requirements. Student Management Operations Specialist will reply to appropriate administrator for verification of data received and entered prior to submittal. SMO Specialist will provide written documentation to administrator post submittal. Documentation of verification will be maintained by the SMOS. Verification of vendors status has been occurring since May 2018 and is in place. The Business Office will verify all purchase orders using federal funds over the micro purchase threshold of \$3,500 that they contain a minimum of three quotes prior to processing. Quotes will be documented with date of receipt and initialed by grant administration. An assessment system security policy will be passed by the board prior to July 1, 2019.

The repeat findings were corrected immediately upon knowledge of the finding in the prior Audit completed in May 2018. These findings would have been corrected in the appropriate audit period had State Board of Accounts audited in a timely fashion. Due the year(s) long delay in the prior audit being completed, the findings could not be resolved until extremely late in the audit period under current review. While we accept these findings due the inability to deny them, we do not agree with the decision to repeat them as they were corrected immediately and during the current period.

Sincerely,



Karen Scalf
Chief Financial Officer

RICHMOND COMMUNITY SCHOOLS
EXIT CONFERENCE

The contents of this report were discussed on April 15, 2019, with Karen Scalf, Treasurer; Dr. Todd Terrill, Superintendent of Schools; and Brad Walton, President of the School Board.