

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

SCOTT COUNTY SCHOOL DISTRICT 1

SCOTT COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
05/29/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathie Bowling	07-01-16 to 01-14-18
	Jami R. Parks	01-15-18 to 06-30-19
Superintendent of Schools	Robert Anderson	07-01-16 to 06-30-18
	(Vacant)	07-01-18 to 08-19-18
	Kenneth Kidd (acting)	08-20-18 to 01-31-19
	Trevor Jones	02-01-19 to 02-01-22
President of the School Board	Joie Bukowski	01-01-16 to 12-31-16
	Ryan Payne	01-01-17 to 12-31-17
	Kathy Morris	01-01-18 to 12-31-18
	Joie Bukowski	01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE SCOTT COUNTY SCHOOL DISTRICT 1, SCOTT COUNTY, INDIANA

This report is supplemental to our audit report of the Scott County School District 1 (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 and Audit Results and Comments 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 and should be viewed in conjunction with the Audit Results and Comments as described below.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Corrective Action Plan for the Federal Findings and Official Response to the Audit Results and Comments, incorporated within this report, were not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

April 25, 2019

SCOTT COUNTY SCHOOL DISTRICT 1
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 finding from the immediately prior audit. The prior audit finding number was 2016-001.

Condition

The School Corporation did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). As a result, material misstatements of the SEFA remained undetected.

Context

Due to the lack of effective controls, the SEFA contained the following errors:

1. The Child Nutrition Cluster expenditures in the amount of \$358,216 and \$408,846 were understated for fiscal years 2016-2017 and 2017-2018, respectively.
2. Some federal grantor agencies, cluster titles, program and project titles, CFDA numbers, pass-through entities, and identifying numbers were incorrect or were missing.

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. . . .

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

SCOTT COUNTY SCHOOL DISTRICT 1
FEDERAL FINDINGS
(Continued)

- Accurate and timely recording of transactions. . . ."

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

The School Corporation's management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

SCOTT COUNTY SCHOOL DISTRICT 1
FEDERAL FINDINGS
(Continued)

Effect

Without a proper system of internal controls in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Context*.

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
Audit Finding: Material Weakness

Repeat Finding

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

Condition

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

Lack of Segregation of Duties: The School Corporation had not separated incompatible activities related to receipts and cash.

Receipts: Office personnel were assigned the responsibility for issuing receipts for specific collection areas. For their assigned collection area, each individual issued and posted the receipts and prepared and made the bank deposit without any oversight.

Cash: Reconcilements of the depository account balances to the financial records were performed without indication of an oversight or review. The same employee who prepared the bank reconcilements was also responsible for handling receipts associated with the student meal accounts and textbook rental. Monthly reconcilements of the depository account balances with the record balances were performed; however, unidentified variances existed. Corrections for known reconciling errors were not recorded correctly in a timely manner.

Context

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

SCOTT COUNTY SCHOOL DISTRICT 1
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. . . ."

Cause

The School Corporation's management had not established a proper system of internal control.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the School Corporation at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Recommendation

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

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - 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): SY 16-17, SY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

SCOTT COUNTY SCHOOL DISTRICT 1
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat finding from the immediately prior audit. The prior audit finding number was 2016-003.

Condition

An effective internal control system was not in place at the School Corporation to ensure compliance with requirements related to the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

The School Corporation did not comply with the Allowable Costs/Cost Principles requirements regarding payment of salaries from the food service program (School Lunch fund). Personal Activity Reports or other documentation of personnel expenses was not completed for an employee who was paid a portion of their salary from the program.

A portion of the Food Service Manager/Janitorial Supervisor's salary was paid from the School Lunch fund for duties performed as the Food Service Manager. There were no time records to support the actual time spent on the grant programs in relationship to other duties performed to determine that the costs were properly allocated to the food service program. Disbursements in the amount of \$22,925 and \$23,196 were charged to the School Lunch fund in fiscal years 2016-2017 and 2017-2018, respectively.

Context

The lack of controls and noncompliance 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). . . ."

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;

SCOTT COUNTY SCHOOL DISTRICT 1
FEDERAL FINDINGS
(Continued)

- (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 are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. . . ."

Cause

The School Corporation's management had not developed a system of internal controls to ensure documentation of personnel expenses charged to the federal program were maintained.

Effect

The failure to establish an effective internal control system enabled the School Corporation to be in noncompliance with the grant agreements.

Questioned Costs

Known questioned costs in the amount of \$46,121 have been identified.

Recommendation

We recommended that the School Corporation's management establish an effective internal control system 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 2018-004

Subject: Child Nutrition Cluster - Internal Controls

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): SY16-17, SY17-18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Cash Management, Program Income, Reporting, Special Tests
and Provisions - School Food Accounts, Special Tests and
Provisions - Paid Lunch Equity

Audit Finding: Material Weakness

Repeat Finding

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

SCOTT COUNTY SCHOOL DISTRICT 1
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 following compliance requirements: Cash Management, Program Income, Reporting, Special Tests and Provisions - School Food Accounts, and Special Tests and Provisions - Paid Lunch Equity.

Context

Cash Management

The School Corporation had not developed procedures whereby the net cash resources in its food service program (School Lunch fund) were monitored to ensure that the net cash resources in the fund did not exceed the three months average expenditures.

Program Income

Proper segregation of duties did not exist for recording of program income. One individual was responsible for receipting, depositing, and recording cash meal sales without any oversight. One individual was responsible for recording program income related to prepaid meal sales without any oversight or review.

Reporting

Monthly Sponsor Claims (claim for reimbursement), Annual Financial Reports, and School Food Authority (SFA) Verification Collection Reports were completed by one individual without any oversight or review.

Special Tests and Provisions - School Food Accounts

No financial overview of the School Lunch fund was performed to determine if the financial activity recorded was proper and reasonable. Procedures were not in place to ensure the number of meals served and other items sold were reasonable in relationship to the amounts receipted to the School Lunch fund. There were no controls in place to ensure that all financial activity recorded in the student meal accounts was recorded in the financial ledger. There was a lack of segregation of duties over the receipting aspects of the School Lunch fund activity. The same individual that receipted money to the School Lunch fund also deposited the money and performed the bank reconcilements.

Special Tests and Provisions - Paid Lunch Equity (National School Lunch Program only)

The School Corporation calculated the Paid Lunch Equity and submitted it to the Indiana Department of Education (IDOE); however the School Corporation did not have controls in place whereby someone reviewed the calculation for accuracy prior to it being submitted to IDOE.

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SCOTT COUNTY SCHOOL DISTRICT 1
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

The School Corporation's management had not developed a system of internal controls that segregated key functions.

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. 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 programs.

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 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 2018-005

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
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): SY 16-17, SY 17-18
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. The prior audit finding number was 2016-005.

SCOTT COUNTY SCHOOL DISTRICT 1
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 Procurement and Suspension and Debarment compliance requirement.

Procurement

The School Corporation had not established an effective internal control system to ensure that the purchasing methods used were in compliance with the applicable local, state, and federal requirements. The School Corporation utilized a third-party purchasing agent for the bulk of its food service purchases. Procedures used by the third-party purchasing agent were not reviewed to determine that the Procurement and Suspension and Debarment compliance requirement was being followed.

The School Corporation did not require that an adequate number of quotes be obtained for small purchases with estimated costs above \$3,500. Several purchases of like-kind items exceeding \$3,500 were made without an adequate number of price or rate quotations being obtained.

Suspension and Debarment

The School Corporation had not established an effective internal control system to ensure compliance with suspension and debarment requirements. There were no controls in place to ensure that vendors were not suspended or debarred from participation in federal programs.

Context

The lack of controls and the noncompliance were systemic issues 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 200.318(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 200.320 states in part:

"The non-Federal Entity must: use one of the following methods of procurement. . . ."

SCOTT COUNTY SCHOOL DISTRICT 1
FEDERAL FINDINGS
(Continued)

(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. . . ."

Cause

The School Corporation's management had not establish 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 material noncompliance to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls 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 2018-006

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): 45717-140-PN01, 14217-140-PN01,
45716-036-PN01, 45716-136-PN01,
14216-036-PN01, 14216-138-PN01,
18611-036-PN01

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.

SCOTT COUNTY SCHOOL DISTRICT 1
FEDERAL FINDINGS
(Continued)

The School Corporation designated a fiscal agent to receive and manage the funding of the special education program. The School Corporation did not have controls in place to monitor the fiscal agent's purchasing methods which resulted in the following noncompliance.

Procurement

The procurement policy used by the fiscal agent did not reflect the federal guidelines established under Uniform Guidance causing the fiscal agent to be noncompliant with the requirements for procurement.

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 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 200.320 states in part:

"The non-Federal Entity must use one of the following methods of procurement.

(a) Procurement by micro-purchases. Procurement by micro-purchase is the acquisition of supplies or services, the aggregate dollar amount of which does not exceed the micro-purchase threshold (§ 200.67 Micro-purchase). To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable.

(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:

SCOTT COUNTY SCHOOL DISTRICT 1
FEDERAL FINDINGS
(Continued)

- (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 noncompetitive 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

The School Corporation's management had not developed or implemented 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 to go undetected. Noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

SCOTT COUNTY SCHOOL DISTRICT 1
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PRINCIPAL

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Jami Parks
Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the findings, due to personnel issues at the time of SEFA submission only one employ completed, reviewed and submitted the SEFA. There was no review by a second employee which led to understatements in the Child Nutrition expenditures.

Description of Corrective Action Plan: During the next completion of the SEFA, an employee familiar with the financial situation of the Child Nutrition program will be included in the preparation, review, and submission of the SEFA.

Anticipated Completion Date: 08/31/2019

FINDING 2018-002

Contact Person Responsible for Corrective Action: Jami Parks
Contact Phone Number: 812-794-8630

Views of Responsible Official: We concur with the findings, the office has divided employees into job categories and the employees complete all aspects of that category. This method did not allow for segregation of duties and internal control.

Description of Corrective Action Plan: During the audit the office changed the methods of collection, depositing, and issuing receipts. Now an individual collects and initially counts the money, the money is then given to another employee to verifies the amount and enters the information into the financial system

to create the receipt, the employee then prepares the deposit, after the deposit is prepared a second employee verifies the deposit to what is entered into the system and initials the deposit ticket, after the deposit is made both the depositor and second employee initial the deposit receipt to verify the totals match.

Reconciliation of the bank records were given to another employee starting with the March bank reconciliation in April 2019. This employee does not enter money into the financial system or make the bank deposits, which was the issue during the audit period.

Anticipated Completion Date: 03/30/2016

FINDING 2018-003

Contact Person Responsible for Corrective Action: Jami Parks

Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the finding, in the previous audit it was noted the Food Service Director and Food Service Treasurer were reporting their time incorrectly and they were changed immediately. The payroll clerk questioned the Food Service Director about having the Food Service Manager make the same change, the Food Service Director told the Payroll Clerk not to make that change.

Description of Corrective Action Plan: Effective with the 4/12/2019 check date, the Food Service Manager/Janitorial Supervisor is paid 100% from the Operation Fund. This will eliminate the need for separate record keeping as the employee will no longer be paid from Child Nutrition fund.

Anticipated Completion Date: 4/12/2019

FINDING 2018-004

Contact Person Responsible for Corrective Action: Jami Parks

Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

Cash Management- The school corporation has a negative cash balance, when the cash balance begins to be positive it will be monitored by the Food Service Director to ensure that the net cash resources do not exceed the three-month average expenditure.

Program Income- The Corporation will look into better segregation of duties so the same employee is not responsible for receipting, depositing and recording cash meals sales without review by another employee.

Reporting- Monthly sponsor claims, AFR and SFA Collection reports will be reviewed by another employee to provide for better internal controls.

Special Tests and Provisions-Food Accounts- The school corporation will look into better segregation of duties. The school corporation hired a new employee in January 2018 and they being trained on all aspects of the office, this will allow the corporation to establish different roles for employees to provide better segregation.

Special Tests and Provisions-Paid Lunch Equity- Someone will review the calculation prior to submission to IDOE, this will be verified by signature.

Anticipated Completion Date: 06/30/2019

FINDING 2018-005

Contact Person Responsible for Corrective Action: Jami Parks
Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan:

Procurement/Suspension/Debarment- Certificates to prove vendor is not suspended/disbarred will be obtained and filed in the Food Service Directors office. Third party purchasing will be reviewed, certification will be obtained.

Anticipated Completion Date:09/30/2019

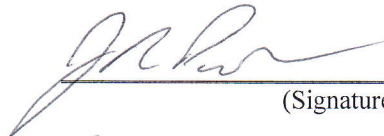
FINDING 2018-006

Contact Person Responsible for Corrective Action: Jami Parks
Contact Phone Number: 812-794-9630

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Madison Area Special Services is the fiscal agent to receive and manage the funding of the Special Education grants for Scott County School District 1. MAESSU reviews vendors using the following: <http://oig.hhs.gov>. Documentation for this requirement is maintained at the MAESSU business office. MAESSU maintains internal control federal programs that provide reasonable assurance that Scott County School District 1 is managing Federal awards in compliance with the laws and regulations. MAESSU has contracted with NEOLA, effective 4/3/19, for policy management. This will give them a procurement policy that meets current law. Scott County School District 1 is represented by their Superintendent on the MAESSU board of directors, who ensures MAESSU Business Manager is following this procedure.

Anticipated Completion Date: 4/3/2019



(Signature)

Business Manager

(Title)

4/22/2019

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

The School Corporation's Annual Financial Report for fiscal year 2018 was not filed electronically until October 15, 2018, which was 47 days past the due date.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

TRAINING ON INTERNAL CONTROL STANDARDS

The same comment also appeared in prior Report B50769.

The School Corporation failed to provide training over the internal control standards adopted as required by Indiana Code 5-11-1-27(g) to all required personnel.

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

The School Corporation failed to provide training to all required officials and personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). Although some required officials and personnel did not receive the training, the Treasurer certified in the Indiana Gateway for Government Units financial reporting system for school years 2017 and 2018, on August 28, 2017, and October 15, 2018, respectively, that the School Corporation had provided employees with internal control training.

Indiana Code 5-11-1-27(h) states:

"After June 30, 2016, the fiscal officer of a political subdivision shall certify in writing that:

- (1) the minimum internal control standards and procedures defined under subsection (e) have been adopted by the political subdivision; and
- (2) personnel, who are not otherwise on leave status, have received training as required by subsection (g)(2).

The certification shall be filed with the state board of accounts at the same time as the annual financial report required by section 4(a) of this chapter is filed. The certification shall be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

MISAPPROPRIATION OF PUBLIC FUNDS

The School Corporation failed to immediately report cyber fraud, which resulted in a misappropriation of public funds, to the Indiana State Board of Accounts (SBOA) as required by state statute. A written notice of the misappropriation was sent to the SBOA 512 days after the occurrence; and verbal notice was not given to SBOA Field Examiners who were on site approximately one year after the misappropriation was discovered.

The Treasurer wire transferred \$9,224 on March 23, 2017, to a financial institution in New York without a claim, a fully itemized invoice, or approval of the School Board. The funds were wired based on an email received by the then Treasurer, which appeared to be from the Superintendent of Schools and the Superintendent of Schools' email address. The email requested payment for laboratory equipment. However, the email was instead from a resident of New York. Upon learning the email was not from the Superintendent of Schools on March 27, 2017, the Business Manager contacted the Indiana State Police, who in turn contacted the United States Secret Service for assistance. Law enforcement agencies were not able to find the recipient of the wired funds and the author of the email. The School Corporation's insurance carrier denied the School Corporation's claim for the loss.

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. . . ."

Indiana Code 5-11-1-27(l) states:

"A public officer who has actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds or assets of the public office, including:

- (1) information obtained as a result of a police report;
- (2) an internal audit finding; or
- (3) another source indicating that a misappropriation has occurred;

shall immediately send written notice of the misappropriation to the state board of accounts and the prosecuting attorney serving in the area governed by the political subdivision."

SCOTT COUNTY SCHOOL DISTRICT 1
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (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. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

SCOTT COUNTY SCHOOL DISTRICT 1
EXIT CONFERENCE

The contents of this report were discussed on April 25, 2019, with Jami R. Parks, Treasurer; Trevor Jones, Superintendent of Schools; and Joie Bukowski, President of the School Board.