

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

WHITE RIVER VALLEY SCHOOL DISTRICT

GREENE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED

05/29/2019

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Federal Findings:	
Finding 2018-001	
Preparation of the Schedule of Expenditures of Federal Awards	4-5
Finding 2018-002	
Child Nutrition Cluster - Cash Management, Reporting	6-7
Finding 2018-003	
Title I Grants to Local Educational Agencies, Child Nutrition Cluster - Procurement and Suspension and Debarment	7-10
Finding 2018-004	
Child Nutrition Cluster - Program Income, Special Tests and Provisions - School Food Accounts	10-13
Finding 2018-005	
Child Nutrition Cluster - Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP)	13-15
Finding 2018-006	
Title I Grants to Local Educational Agencies - Reporting	15-16
Finding 2018-007	
Title I Grants to Local Educational Agencies - Cash Management	17-18
Finding 2018-008	
Title I Grants to Local Educational Agencies - Activities Allowed or Unallowed, Allowable Costs/Cost Principles	18-20
Finding 2018-009	
Title I Grants to Local Educational Agencies - Eligibility	21-22
Corrective Action Plan	23-27
Audit Result and Comment:	
Overdrawn Cash Balances	28
Exit Conference	29

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jayne A. Kaho	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Robert M. Hacker	07-01-16 to 06-30-19
President of the School Board	Jason Davidson David Reed	01-01-16 to 12-31-16 01-01-17 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 WHITE RIVER VALLEY SCHOOL
DISTRICT, GREENE COUNTY, INDIANA

This report is supplemental to our audit report of the White River Valley School District (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 Result and Comment 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 Result and Comment contained herein describes the identified reportable instance 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 Result and Comment, incorporated within this report, were not verified for accuracy.

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

April 8, 2019

WHITE RIVER VALLEY SCHOOL DISTRICT
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 report. 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).

Context

The SEFA presented for audit contained the following errors:

1. The Child Nutrition Cluster commodities were underreported by \$18,942 for fiscal year 2016-2017.
2. The Special Education Cluster (IDEA) was underreported in 2016-2017 and 2017-2018 by \$3,558 and \$50,763, respectively.

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. . . ."

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. . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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*.

Recommendation

We recommended that the Corporation's management establish controls to prevent, or detect and correct, errors on the SEFA.

Views of Responsible Officials

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

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

FINDING 2018-002

Subject: Child Nutrition Cluster - Cash Management, Reporting
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 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Cash Management, Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-012.

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 designed or implemented an adequate system of internal controls to ensure that the School Lunch fund monthly cash balances (net cash resources) were limited to three months average expenditures. There was no oversight, review, or monitoring of the net cash resources of the School Lunch fund.

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, review, or approval process to ensure their accuracy.

Context

The lack of properly designed and implemented 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). . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Cause

Management had not established and implemented an effective system of internal controls that would have ensured compliance with the grant agreement and the Cash Management and Reporting compliance requirements.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Cash Management and Reporting compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Cash Management and Reporting compliance requirements.

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: Title I Grants to Local Educational Agencies, Child Nutrition
Cluster - Procurement and Suspension and Debarment

Federal Agencies: Department of Education, Department of Agriculture

Federal Programs: Title I Grants to Local Educational Agencies, School Breakfast
Program, National School Lunch Program

CFDA Numbers: 84.010, 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): 16-2980, 17-2980, 18-2980,
FY 2017, FY 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 2016-002.

Condition

The School Corporation had not established an effective internal control system related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement. An effective internal control system was not in place at the School Corporation in order to ensure that the purchasing methods used complied with applicable federal, state, and local requirements.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

The School Corporation complied with its own purchasing policy, which required the Superintendent of Schools to obtain three price or rate quotations for purchases over \$10,000; however, the policy does not follow the more restrictive state guidelines.

Child Nutrition Cluster

The School Corporation did not obtain price or rate quotations when procuring goods from vendors when required. Contracts and bids were not obtained for one vendor in fiscal year 2016-2017 who was paid more than \$50,000 from the School Corporation.

Title I Grants to Local Educational Agencies

Price or rate quotations were not obtained for a Title I procurement made from one vendor before purchasing \$9,250 of computers during 2017-2018. The School Corporation did not document the rationale for the method of procurement when a noncompetitive proposal method was used.

Additionally, there were no procedures in place to verify suspension and debarment before entering into a covered transaction with a vendor. The School Corporation expended over \$25,000 to one vendor without verification that they were not suspended or debarred from participation in federal programs.

Context

This was a systemic issue during 2016-2017. Small purchase procedures were not followed for any vendors in that category that spent over \$50,000 during a year.

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 states in part:

"(a) 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. . . ."

(i) 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. . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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.

(c) Procurement by sealed bids (formal advertising). Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (c)(1) of this section apply.

(1) In order for sealed bidding to be feasible, the following conditions should be present:

(i) A complete, adequate, and realistic specification or purchase description is available;

(ii) Two or more responsible bidders are willing and able to compete effectively for the business; and

(iii) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(2) If sealed bids are used, the following requirements apply:

(i) Bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids, for local, and tribal governments, the invitation for bids must be publicly advertised;

(ii) The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;

(iii) All bids will be opened at the time and place prescribed in the invitation for bids, and for local and tribal governments, the bids must be opened publicly;

(iv) A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and

(v) Any or all bids may be rejected if there is a sound documented reason. . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking the SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed an effective system of internal controls that would have ensured compliance with the Procurement and Suspension and Debarment compliance requirement.

Effect

The failure to establish an effective internal control system allowed noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement to occur and remain undetected.

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 2018-004

Subject: Child Nutrition Cluster - Program Income, Special
Tests and Provisions - School Food Accounts

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 2017, FY 2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Program Income, Special Tests and
Provisions - School Food Accounts

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit period. The prior audit finding number was 2016-011.

WHITE RIVER VALLEY SCHOOL DISTRICT
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 Program Income and Special Tests and Provisions - School Food Accounts compliance requirements.

Receipts for prepaid meals were posted directly to the School Lunch fund (Fund 800), rather than to a Prepaid Meals clearing fund (Fund 8400). There were no periodic transfers made that would have identified when meals were served and charged to the prepaid accounts. It could not be determined whether program monies were correctly determined, recorded, and used in accordance with the program requirements for either year of the audit period.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the Program Income and Special Tests and Provisions - School Food Accounts compliance requirement.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

"*Financial assurances.* The school food authority shall meet the requirements of the State agency for compliance with § 210.19(a) including any separation of records of nonprofit school food service from records of any other food service which may be operated by the school food authority as provided in paragraph (a) of this section."

7 CFR 220.7(e) states in part:

"Each school food authority approved to participate in the program shall enter into a written agreement with the State agency or the Department through the FNSRO, as applicable that may be amended as necessary. . . . Such agreements shall provide that the School Food Authority shall, with respect to participating schools under its jurisdiction: . . .

(1)

(i) Maintain a nonprofit school food service;

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

(ii) In accordance with the financial management system established under § 220.13(i) of this part, use all revenues received by such food service only for the operation or improvement of that food service Except that, facilities, equipment, and personnel support with funds provided to a school food authority under this part may be used to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.); . . .

(12) Maintain a financial management system as prescribed by the State agency; . . ."

7 CFR 210.14(f)(3) states: "All revenue from the sale of nonprogram foods shall accrue to the nonprofit school food service account of a participating school food authority."

7 CFR 210.14(a) states in part:

"Nonprofit school food service. School food authorities shall maintain a nonprofit school food service. Revenues received by the nonprofit school food service are to be used only for the operation or improvement of such food service, except that, such revenues shall not be used to purchase land or buildings, unless otherwise approved by FNS, or to construct buildings. Expenditures of nonprofit school food service revenues shall be in accordance with the financial management system established by the State agency under § 210.19(a) of this part. School food authorities may use facilities, equipment, and personnel supported with nonprofit school food revenues to support a nonprofit nutrition program for the elderly, including a program funded under the Older Americans Act of 1965 (42 U.S.C. 3001 et seq.). . . ."

2 CFR 200.302(b) states in part:

"The financial management system of each non-Federal entity must provide for the following . . .

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

2 CFR 200.333 states in part:

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

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and that adequate supporting documentation was maintained and made available for audit for the Program Income and Special Tests and Provisions - School Food Accounts compliance requirements.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish a system of internal controls that would have ensured that program income and Special Tests and Provisions - School Food Accounts were properly identified prevented the determination of the School Corporation's compliance with the Program Income and Special Tests and Provisions - School Food Accounts compliance requirements.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure compliance with the grant agreement and that adequate supporting documentation is maintained and made available for audit for the Program Income and Special Tests and Provisions - School Food Accounts compliance requirements.

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 - Special Tests and Provisions - Verification
of Free and Reduced Price Applications (NSLP)
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 2017, FY 2018
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Verification of Free
and Reduced Price Applications (NSLP)
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-013.

Condition

An effective internal control system was not in place at the School Corporation in order to ensure that the verification of free and reduced price applications was completed and that the supporting documentation of the verification process was retained and available for audit. There was no segregation of duties, such as an oversight, review, or approval process.

The School Food Authority (SFA) Verification Collection Reports for the audit period indicated that three applications were to be verified for fiscal year 2016-2017; however, documentation supporting the process and which applications were examined was not available for audit. Additionally, documentation indicating what actions were taken as a result of the verifications was not available.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.15(b) states in part:

"*Recordkeeping summary.* In order to participate in the Program, a school food authority or a school, as applicable, must maintain records to demonstrate compliance with Program requirements. These records include but are not limited to: . . .

- (4) Currently approved and denied certification documentation for free and reduced price lunches and a description of the verification activities, including verified applications, and any accompanying source documentation in accordance with 7 CFR 245.6a of this Title . . ."

7 CFR 245.11(c) states in part:

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

2 CFR 200.302(b)(3) states:

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

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

2 CFR 200.333 states in part:

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and that adequate supporting documentation is maintained and made available for audit for the Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP) 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 - Reporting
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): 16-2980, 17-2980, 18-2980
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-006.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation's management had not established an effective internal control system related to the grant agreement and the Reporting compliance requirement.

The Treasurer had the sole responsibility for preparing and submitting the Requests for Reimbursement. There was no segregation of duties such as an oversight, review, or approval process to ensure the Requests for Reimbursement were complete and accurate.

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's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Reporting 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 Reporting compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls 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.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

FINDING 2018-007

Subject: Title I Grants to Local Educational Agencies - Cash Management
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): 16-2980, 17-2980, 18-2980
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Cash Management
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 2016-006.

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 Cash Management compliance requirement. The Treasurer had the sole responsibility of preparing and submitting the Requests for Reimbursement. There was no segregation of duties such as an oversight, review, or approval process to ensure the Requests for Reimbursement were complete and accurate.

The School Corporation submitted a Request for Reimbursement, which included amounts for future payroll expenditures and the purchase of equipment, supplies, and subscriptions, which had not been incurred at the time of the request.

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). . . ."

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Cash Management compliance requirement.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system enabled noncompliance with the grant agreement and the Cash Management compliance requirement. A lack of segregation of duties within an internal control system allowed noncompliance with 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.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the Cash Management 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 2018-008

Subject: Title I Grants to Local Educational Agencies - Activities
Allowed or Unallowed, Allowable Costs/Cost Principles
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): 16-2980, 17-2980, 18-2980
Pass-Through Entity: Indiana Department of Education
Compliance Requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

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 Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements. The internal control system was not effective at ensuring that program expenditures were for allowable activities and allowable costs.

During both years of the audit period, the School Corporation paid a portion of the Elementary School Principal's salary from Title I funds for duties as the Title I Director. The funds were paid to the Principal as a stipend in addition to their contract, with no addendum. Documentation was not provided to support the Principal's salary and benefits charged to the Title I program. The salary and benefits paid from the Title I program in fiscal year 2017-2018 was \$18,904. Additionally, the School Corporation paid \$1,550 in entertainment and meal expenses for family fun nights from Title I funding. Meal and entertainment expenses are unallowable costs and unallowable activities.

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

Context

The lack of internal controls and noncompliance were systematic 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 200.403 states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items. . . .

(g) Be adequately documented. . . ."

Title I Fiscal Handbook 2015-2016 states in part:

"PAYMENT FOR ADMINISTRATIVE SALARIES

Salaries of superintendents, assistant superintendents, treasurers and 12 month/full-time principals and assistant principals are normally paid from general funds of the school corporation. Typically, these positions are covered by 12 month yearly contracts and cannot be reimbursed by Title I funds. Reimbursement for Title I services by these staff positions may be recouped by claiming Indirect Cost Expense based on the Indirect Cost Formula. The duties a principal takes on to serve as Title I Program Administrator may be additional to a principal's responsibilities, however, this situation presents a programmatic issue because IDOE questions whether an individual performing the duties of a full-time principal can also effectively carry out Title I administrative duties such as SWP, School Improvement, Parent Involvement, Non-public School Consultation, and Evaluation of Programs. Many of these activities need to be carried out during the day. Principals may receive payment for Title I work if it is outside of their contract. . . ."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

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 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 that would have ensured compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Effect

The failure to establish an effective internal control system enabled material noncompliance to remain undetected. Noncompliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

Questioned costs of \$20,454 were identified, as described in the *Condition*.

Recommendation

We recommended that the School Corporation's management design and implement a system of internal controls to ensure compliance with the grant agreement and the Activities Allowed or Unallowed and Allowable Costs/Cost Principles compliance requirements.

Views of Responsible Officials

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

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

FINDING 2018-009

Subject: Title I Grants to Local Educational Agencies - Eligibility
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): 16-2980, 17-2980, 18-2980
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-006

Condition

The School Corporation's management had not established an effective internal control system related to the grant agreement and the Eligibility compliance requirement.

The Title I Director had the sole responsibility for preparing and submitting the grant applications. There was no segregation of duties such as an oversight, review, or approval process to ensure the applications were complete and accurate. The supporting documentation for the eligibility summary included in the grant applications for fiscal years 2016-2017 and 2017-2018 was not retained or presented for audit.

Context

The lack of controls was a systemic issue throughout the audit period. The lack of adequate supporting documentation prevented the determination of the School Corporation's compliance with the Eligibility compliance requirement.

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 200.78(a)(1) states:

"An LEA must allocate funds under subpart A of this part to school attendance areas and schools, identified as eligible and selected to participate under section 1113(a) or (b) of the ESEA, in rank order on the basis of the total number of children from low-income families in each area or school."

WHITE RIVER VALLEY SCHOOL DISTRICT
FEDERAL FINDINGS
(Continued)

2 CFR 200.333 states in part:

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

Cause

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

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish a system of internal controls to ensure compliance with the grant agreement and that adequate supporting documentation is maintained and made available for audit for the Eligibility compliance requirement.

Views of Responsible Officials

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

WHITE RIVER VALLEY SCHOOL DISTRICT

"Home of the Wolverines"

Mr. Robert M. Hacker, Superintendent
Mrs. Jayne Kaho, Treasurer
Mrs. Michelle Emmons, Payroll

5644 West State Road 54
PO Box 1470
Switz City, Indiana 47465

Board of Education
Mr. David Reed, President
Mr. Joe Decker, VP
Mr. Andy Davis, Secretary
Mr. Jason Davidson
Mr. Brock Hostetter
Mr. Roger Shake
Mr. Bruce Porter

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Jayne Kaho

Contact Phone: 812 659-1424

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Audit adjustments were proposed by SBOA and the adjustments were made to SEFA. The superintendent will review the report before being submitted.

Anticipated Completion Date: Adjustments already made beginning with the 2018/19 school year.

FINDING 2018-002

Contact Person Responsible for Corrective Action: Jayne Kaho, Renee Wiggington

Contact Phone Number: 812 659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Plan:

The corporation treasurer will monitor the expenditures in the cafeteria to comply with the three month average spending. The superintendent will review

the monthly reimbursement before being sent for reimbursement and will review the School Food Authority Verification Collection Reports before being submitted. The treasurer will review the Annual Financial Report.

Anticipated Completion Date: Corrected in School Year 2018/19.

FINDING 2018-003

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Administrator

Michelle Emmons, Co-Treasurer

Contact Phone Number: 812 875-3830

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

School Corporation management will establish controls to ensure compliance and will comply with the procurement compliance requirement. The School Corporation's procurement policy will be reviewed by administration. An individual will obtain quotes for large purchases and a second individual will sign off on the quotes and the quotes will be kept on file as documentation.

Anticipated Completion Date: Corrected in School Year 2018/19.

FINDING 2018-004

Contact Person Responsible for Corrective Action: Jayne Kaho, Renee Wiggington

Contact Phone Number: 812-659-1424

View of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

Lunch money receipts will be deposited into Fund 8400. The Food Service Coordinator will give the Corporation Treasurer the amount of receipts each month that should be transferred from Fund 8400 to Fund 800 by compiling data on daily line reports of the amount to be transferred out of the prepaid lunch monies.

Anticipated Completion Date: Started in school year 2018/19.

FINDING 2018-005

Contact Person Responsible for Corrective Action: Renee Wiggington

Contact Phone Number: 812-659-2274

Views of Responsible Official: We concur with the finding

The ECA Treasurer at each building will process the Free & Reduced Lunch Applications for his/her building. The Food Service Coordinator will review the applications for errors and verify the required applications. Applications that are pulled for verification will be retained separately from the non-verified applications, and all correspondence with household pertaining to verification will be filed and recorded with the application.

Anticipated Completion Date: Started in school year 2018/19

FINDING 2018-006

Contact Person Responsible for Corrective Action: Jayne Kaho

Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation management will establish effective internal controls. The treasurer will prepare the Requests for Reimbursement. The Superintendent will review the requests and sign them before submitting for reimbursement.

Anticipated Completion Date: Started in school year 2018/19

FINDING 2018-007

Contact Person Responsible for Corrective Action: Jayne Kaho

Contact Phone Number: 812-659-1424

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

School Corporation management will improve internal controls to ensure compliance with the grant agreement and cash management compliance. The Treasurer will prepare the Requests for Reimbursement and the Superintendent will review the Requests before submitting the Requests.

Anticipated Completion Date: Started school year 2018/19

FINDING 2018.-008

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Director

Contact Phone Number: 812-875-3839

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

School Corporation management will improve internal controls to ensure compliance with the grant agreement and the compliance requirement for Allowable costs/Cost Principles and Allowable Activities. The Principal's salary is

paid on an eleven month contract and the twelfth month she is paid for her Title I Director duties on a separate contract. The entertainment and meals will be reworked to comply with the allowable costs and activities

Anticipated Completion Date: Starting in school year 2019/20.

2018-009

Contact Person Responsible for Corrective Action: Jill Staggs, Title I Administrator

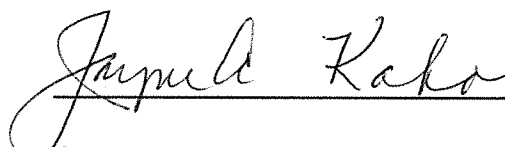
Contact Phone Number: 812-875-3839

Views of Responsible Official: We concur with the finding

Description of Corrective Action Plan:

The School Corporation will establish an effective internal control system related to the grant agreement and Eligibility compliance requirement. School Corporation management will retain proper documentation to prove compliance.

Anticipated Completion Date: Starting in school year 2018/19.


Corporation Treasurer

March 26, 2019

WHITE RIVER VALLEY SCHOOL DISTRICT
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The same comment also appeared in prior Reports B46733 and B50570.

The financial statement presented in the Financial Statement and Federal Single Audit Report included the following funds with overdrawn cash balances at June 30, 2017 and 2018:

Fund	Amount Overdrawn 06-30-17	Amount Overdrawn 06-30-18
School Lunch	\$ 104,860	\$ 76,569
Child Care Program	26,149	47,021

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for School Corporations, Chapter 1)

WHITE RIVER VALLEY SCHOOL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on April 8, 2019, with Jayne A. Kaho, Treasurer; Dr. Robert M. Hacker, Superintendent of Schools; David Reed, President of the School Board; and Michelle Emmons, Co-Treasurer.