

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

SUPPLEMENTAL COMPLIANCE REPORT  
OF

SOUTHWEST PARKE COMMUNITY  
SCHOOL CORPORATION  
PARKE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



**FILED**  
06/03/2019



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### SCHEDULE OF OFFICIALS

| <u>Office</u>                    | <u>Official</u>                                      | <u>Term</u>  |
|----------------------------------|--|--|
| Treasurer                        | Cheri L. Peacock<br>Leslie Shaffer                   | 07-01-16 to 03-31-18<br>04-01-18 to 12-31-19                         |
| Superintendent<br>of Schools     | William H. Schad (interim)<br>Dr. Philip T. Harrison | 07-01-16 to 08-31-16<br>09-01-16 to 06-30-19                         |
| President of the<br>School Board | Shawn Brown<br>Leslie Batty<br>Darrek Davis          | 07-01-16 to 12-31-17<br>01-01-18 to 12-31-18<br>01-01-19 to 12-31-19 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE SOUTHWEST PARKE COMMUNITY  
SCHOOL CORPORATION, PARKE COUNTY, INDIANA

This report is supplemental to our audit report of the Southwest Parke Community School Corporation (School Corporation), for the period from July 1, 2016 to June 30, 2018. It has been provided as a separate report so that the reader may easily identify any Federal Findings that pertain to the School Corporation. It should be read in conjunction with our Financial Statement and Federal Single Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement and federal program compliance. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

The Federal Findings, identified in the above referenced audit report, are included in this report.

Any Corrective Action Plan for the Federal Findings, incorporated within this report, was not verified for accuracy.

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

May 2, 2019

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS

***FINDING 2018-001***

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

*Repeat Finding*

This is a repeat 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 controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

*Context*

The SEFA contained the following errors:

The Commodities amounts for the Child Nutrition Cluster were omitted for both audit years resulting in an understatement of \$79,770. Amounts for the fiscal year 2016-2017 Special Education Cluster (IDEA) were omitted, resulting in an understatement of \$231,950. Title I Grants to Local Educational Agencies amounts were improperly reported resulting in an understatement of \$37,706. Title II, Part A was overstated for 2016-2017 by \$54,464. Child Nutrition Discretionary was omitted for 2016-2017 resulting in an understatement of \$20,000. Amounts for the Child Nutrition Cluster were improperly reported resulting in an overstatement of \$259,916.

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. . . .

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

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: . . .

- 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."

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Cause*

Management had not established a system of internal controls that would have ensured proper reporting of the SEFA.

*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: School Breakfast Program, National School Lunch Program - 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): FY 2016-2017, FY 2017-2018  
Pass-Through Entity: Indiana Department of Education  
Compliance Requirements: Eligibility, Special Tests and Provisions - Verification  
of Free and Reduced Price Applications (NSLP)  
Audit Finding: Material Weakness

*Condition*

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Eligibility and Special Tests and Provisions - Verification of Free and Reduced Price Applications (NSLP).

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

The School Corporation had not designed or implemented adequate internal controls to ensure that the verifications of eligibility determinations for free and reduced priced meals were accurate. The Food Service Director performed the initial determinations and initial verifications. There was no documentation of a control in place, such as an oversight, review, or approval process, or other compensating control.

*Context*

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

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management had not developed a system of internal controls to ensure compliance with the compliance requirements listed above.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements listed above. A lack of segregation of duties within an internal control system could have allowed noncompliance with the compliance requirements and could have 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 for Eligibility and Special Tests and Provisions - Verification of Free Reduced Price Applications (NSLP).

*Views of Responsible Officials*

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

**FINDING 2018-003**

Subject: School Breakfast Program, National School Lunch Program - Program Income

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 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Program Income

Audit Findings: Material Weakness, Other Matters

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*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 Program Income compliance requirement.

The School Corporation did not comply with requirements for accounting for program income generated from the operation of the school food service program. The School Corporation did not set up a separate fund to account for prepaid meals.

*Context*

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

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: . . .

(12) Maintain a financial management system as prescribed by the State agency, or FNSRO where applicable; . . ."

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

*Cause*

Management had not developed a system of internal controls that would have ensured compliance with the Program Income 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 Program Income 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 and comply with the grant agreement and the Program Income 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 - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

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

CFDA Numbers: 10.553, 10.555, 10.559

Federal Award Numbers and Years (or Other Identifying Numbers): FY 2016-2017, FY 2017-2018

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

*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 following compliance requirement: Procurement and Suspension and Debarment.

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

The School Corporation had not established effective controls to ensure that their purchasing method used complied with 2 CFR 200.320.

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services from Eye4 exceeding \$3,500, which required the use of small purchase procedures.

*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 200.320(b) states:

"Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, and 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*

Management had not developed a system of internal controls that would have ensured compliance with the procurement requirements.

*Effect*

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the procurement requirements 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 comply with the Procurement compliance requirement.

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
FEDERAL FINDINGS  
(Continued)

*Views of Responsible Officials*

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

**Southwest Parke Community School Corporation**

4851 South Coxville Road  
Montezuma, IN 47862  
Phone: 765-569-2073 Fax: 765-569-0309

**Philip T. Harrison, Ph.D.**  
*Superintendent of Schools*

**Leslie A. Shaffer**  
*Treasurer*

**Angie Gilstrap**  
*Deputy Treas/Corp Secretary*

**CORRECTIVE ACTION PLAN**

***FINDING 2018-001***

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer  
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer, Corporation Food Service Director and Superintendent will work in conjunction to ensure all federal programs are correctly noted on the SEFA.

Anticipated Completion Date: The Corporation Treasurer has been working since the previous audit on this finding.

*Leslie A. Shaffer*  
\_\_\_\_\_  
(Signature)

*Corporation Treasurer*  
\_\_\_\_\_  
(Title)

*4/30/2019*  
\_\_\_\_\_  
(Date)

**Southwest Parke Community School Corporation**

4851 South Coxville Road  
Montezuma, IN 47862  
Phone: 765-569-2073 Fax: 765-569-0309

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**Leslie A. Shaffer**  
*Treasurer*

**Angie Gilstrap**  
*Deputy Treas/Corp Secretary*

**CORRECTIVE ACTION PLAN**

***FINDING 2018-002***

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer  
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan: In addition to the Food Service Director verifying free and reduced applications, the Deputy Treasurer shall also review all applications verified by the Food Service Director.

Anticipated Completion Date: This course of action began April 1, 2019.

  
\_\_\_\_\_  
(Signature)

*Corporation Treasurer*  
\_\_\_\_\_  
(Title)

*4/30/2019*  
\_\_\_\_\_  
(Date)

**Southwest Parke Community School Corporation**

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Montezuma, IN 47862  
Phone: 765-569-2073 Fax: 765-569-0309

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*Treasurer*

**Angie Gilstrap**  
*Deputy Treas/Corp Secretary*

**CORRECTIVE ACTION PLAN**

***FINDING 2018-003***

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer  
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer and Food Service Director will work in conjunction to set up the correct fund for prepaid meals.

Anticipated Completion Date: May 1, 2019

  
\_\_\_\_\_  
(Signature)

*Corporation Treasurer*  
\_\_\_\_\_  
(Title)

*4/30/2019*  
\_\_\_\_\_  
(Date)

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Montezuma, IN 47862  
Phone: 765-569-2073 Fax: 765-569-0309

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**Leslie A. Shaffer**  
*Treasurer*

**Angie Gilstrap**  
*Deputy Treas/Corp Secretary*

**CORRECTIVE ACTION PLAN**

***FINDING 2018-004***

Contact Person Responsible for Corrective Action: Leslie A. Shaffer, Corporation Treasurer  
Contact Phone Number: 765-569-2073 ext 2001

Views of Responsible Official: I concur with the finding.

Description of Corrective Action Plan: The Corporation Food Service Director will ensure that all purchases over \$3,500 will follow small purchase procedures. Quotes will be taken from at least three (3) vendors.

Anticipated Completion Date: April 30, 2019

  
\_\_\_\_\_  
(Signature)

*Corporation Treasurer*  
\_\_\_\_\_  
(Title)

*4/30/2019*  
\_\_\_\_\_  
(Date)

SOUTHWEST PARKE COMMUNITY SCHOOL CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 2, 2019, with Darrek Davis, President of the School Board; Dr. Philip T. Harrison, Superintendent of Schools; and Leslie Shaffer, Treasurer.