

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TIPPECANOE SCHOOL CORPORATION

TIPPECANOE COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/10/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer/CFO	Amanda Brackett	07-01-16 to 06-30-19
Superintendent of Schools	Dr. Scott Hanback	07-01-16 to 06-30-19
President of the School Board	Linda Day Randy Bond	01-01-16 to 12-31-18 01-01-19 to 12-31-19



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE TIPPECANOE SCHOOL CORPORATION,
TIPPECANOE COUNTY, INDIANA

This report is supplemental to our audit report of the Tippecanoe 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 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 23, 2019

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Child Nutrition Cluster - Equipment and Real Property Management
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Equipment and Real Property Management
Audit Finding: Material Weakness

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the equipment management requirements of the Equipment and Real Property Management compliance requirement.

The School Corporation had not established effective controls to ensure that equipment records contained the proper detail or that equipment was properly safeguarded or maintained. There was not oversight or review to ensure that inventory was complete during the audit period.

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

Management had not developed a system of internal controls to ensure compliance with the Equipment and Real Property Management compliance requirement.

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system, which would include segregation of duties, placed the School Corporation at risk of noncompliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance the grant agreement and the Equipment and Real Property 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 2018-002

Subject: Child Nutrition Cluster - Procurement
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Procurement and Suspension and Debarment
Audit Findings: Material Weakness, Other Matters

Condition

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

The School Corporation had not established proper procurement methods prior to purchasing goods. The School Corporation purchased goods over the simple acquisition threshold for both years of the audit period without the appropriate procurement procedures.

Context

The lack of controls and noncompliance were present for one out of five vendors in fiscal year 2016-2017 and one out of four vendors in 2017-2018.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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

2 CFR 200.88 states:

"Simplified acquisition threshold means the dollar amount below which a non-Federal entity may purchase property or services using small purchase methods. Non-federal entities adopt small purchase procedures in order to expedite the purchase of items costing less than the simplified acquisition threshold. The simplified acquisition threshold is set by the Federal Acquisition Regulation at 48 CFR Subpart 2.1 (Definitions) and in accordance with 41 U.S.C. 1908. As of the publication of this part, the simplified acquisition threshold is \$150,000, but this threshold is periodically adjusted for inflation. (Also see definition of § 200.67 Micro-purchase.)"

2 CFR 200.320 states in part:

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

(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;

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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. . . ."

Cause

Management had not developed a 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 placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Title I Grants to Local Educational Agencies - Procurement

Federal Agency: Department of Education

Federal Program: Title I Grants to Local Educational Agencies

CFDA Number: 84.010

Federal Award Numbers and Years (or Other Identifying Numbers): 16-7865, 17-7865, 18-7865

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 the requirements related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

The School Corporation's purchasing policy was not updated to include all the procurement standards as outlined in 2 CFR 200.318.

The School Corporation did not obtain price or rate quotes from an adequate number of sources for purchases of goods or services exceeding \$3,500, which fell under the small purchase procedures. The School Corporation also did not document the rationale for the method of procurement, especially when a noncompetitive proposal method was used.

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 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. . . ."

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. . . ."

Cause

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

TIPPECANOE SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in non-compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Views of Responsible Officials

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



Tippecanoe School Corporation
21 Elston Road
Lafayette, Indiana 47909-2899

CORRECTIVE ACTION PLAN

FINDING 2018-001

Contact Person Responsible for Corrective Action: Lori Shofroth-Cords, Director of Nutrition Services
Contact Phone Number: (765) 772-8434

Views of Responsible Official: Due to the timing of the prior audit results of which we received during the summer of 2018, the close of this audit period, we were only able to complete the inventory. A full inventory of all equipment has been completed, however the annual certification was not completed during this audit period. The annual certification occurs at the end of each school year prior to staff leaving for the summer.

Description of Corrective Action Plan:

In order to mitigate future findings regarding asset management within our Nutrition Services Department, Tippecanoe School Corporation's corrective action plan will include the following measures.

1. A full inventory of all nutrition services equipment will be conducted using a third party asset appraisal service vendor.
2. A listing of locations of all equipment will be kept and maintained on an ongoing basis.
3. Any equipment that is disposed of will be updated on the inventory listing to show disposition dates as well as the amount of money received, if any, for the asset.
4. Annual physical reviews will take place by staff members to ensure that the inventory list is accurate.
5. The Director of Nutrition Services will certify to the Chief Financial Officer annually the inventory listing to include the item, date of acquisition, building location and room number, description of asset, initial cost of asset, transfer of equipment from location to location, disposition date and amount sold, if applicable.

The changes proposed will prevent future issues with internal controls from occurring by allowing multiple reviews of the inventory on an ongoing basis. The Chief Financial Officer will monitor the progress of the Corrective Action Plan to ensure that we fulfill our requirements of the CAP.

Anticipated Completion Date: June 1, 2019.



Tippecanoe School Corporation
21 Elston Road
Lafayette, Indiana 47909-2899

FINDING 2018-002

Contact Person Responsible for Corrective Action: Lori Shofroth-Cords, Director of Nutrition Services
Contact Phone Number: (765) 772-8434

Views of Responsible Official: Due to the volatility of the fresh fruit and vegetable market, we have been unable to obtain responses for RFP's guaranteeing price for an entire year. We receive quotes for each purchase we make for fresh fruits and vegetables. The price for these items fluctuate greatly with seasonal produce.

Description of Corrective Action Plan:

In order to mitigate future findings regarding procurement within our school district, Tippecanoe School Corporation's corrective action plan will include the following measures.

1. Continuing education on procurement requirements for staff members.
2. For purchases totaling over \$150,000 annually in accords with Indiana Code purchasing guidelines, the Director of Nutrition Services will submit an RFP.
3. If no responses are received for an RFP, documentation of no responses will be kept for auditing purposes.
4. A second RFP will be resumed.

The changes proposed will prevent future issues with procurement from occurring by allowing for competition on an ongoing basis. The Chief Financial Officer will monitor the progress of the Corrective Action Plan to ensure that we fulfill our requirements of the CAP.

Anticipated Completion Date: June 1, 2019.



Tippecanoe School Corporation
21 Elston Road
Lafayette, Indiana 47909-2899

FINDING 2018-003

Contact Person Responsible for Corrective Action: Dr. BeAnn Younker, Director of Student Services
Contact Phone Number: (765) 772-4915

Views of Responsible Official: We utilized the state quantity purchasing agreement (QPA) which is allowable under both Indiana Code and Federal Uniform Guidance regulations for one of these purchases. Due to the nature of the purchases of other items that were reviewed, the items were very specific in that there was only one vendor that offered the selection.

Description of Corrective Action Plan:

In order to mitigate future findings regarding procurement within our school district, Tippecanoe School Corporation's corrective action plan will include the following measures.

1. Continuing education on procurement requirements for staff members.
2. For purchases greater than \$5,000 and less than \$150,000, annually in accords with Indiana Code purchasing guidelines and Federal Uniform Guidance (eff. 6/2018), the Director of Student Services will obtain three quotes.
3. If no responses are received for quote request, documentation of no responses will be kept for auditing purposes.
4. The purchase will go to the vendor that submitted the lowest quote.

The changes proposed will prevent future issues with procurement from occurring by allowing for competition on an ongoing basis. The Chief Financial Officer will monitor the progress of the Corrective Action Plan to ensure that we fulfill our requirements of the CAP.

Anticipated Completion Date: May 1, 2019

TIPPECANOE SCHOOL CORPORATION
AUDIT RESULT AND COMMENT

OVERDRAWN CASH BALANCES

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

Fund	Amount Overdrawn As of June 30,	
	2017	2018
Other Construction Funds	\$ -	\$ 435,250
Warehouse Maintenance	24,967	20,510
Warehouse Clinic	16,787	-

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 Indiana Public School Corporations, Chapter 1)



Tippecanoe School Corporation
21 Elston Road
Lafayette, Indiana 47909-2899

April 26, 2019

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2765

To Whom It May Concern:

RE: OFFICIAL RESPONSE – 2016-2018 Audit Result and Comment

Tippecanoe School Corporation agrees with the overdrawn cash balances as of June 2017 and June 2018. I do want it to be noted that our School Board of Trustees approved a resolution for our school board to be reimbursed by the NSE08 Tippecanoe School Building Corporation Funds for expenditures that occurred before the final bond issuance actually occurred. The Tippecanoe School Corporation received a reimbursement check on July 10, 2018 for the approved expenditures.

Sincerely,

A handwritten signature in cursive script that reads 'Amanda M. Brackett'.

Amanda M. Brackett
Chief Financial Officer

TIPPECANOE SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on April 23, 2019, with Amanda Brackett, Treasurer/CFO; Dr. Scott Hanback, Superintendent of Schools; and Randy Bond, President of the School Board.