

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTHWESTERN JEFFERSON COUNTY
CONSOLIDATED SCHOOL CORPORATION
JEFFERSON COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/11/2019

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 | 4-6 |
| Finding 2018-002 | |
| Financial Transactions and Reporting | 6-8 |
| Finding 2018-003 | |
| Child Nutrition Cluster - Internal Controls | 8-10 |
| Finding 2018-004 | |
| Child Nutrition Cluster - Allowable Costs/Cost Principles | 10-12 |
| Finding 2018-005 | |
| Child Nutrition Cluster - Equipment..... | 13-14 |
| Finding 2018-006 | |
| Child Nutrition Cluster - Procurement and Suspension and Debarment | 15-18 |
| Finding 2018-007 | |
| Child Nutrition Cluster - Special Tests and Provisions - School Food Accounts | 18-19 |
| Finding 2018-008 | |
| Child Nutrition Cluster - Special Tests and Provisions - Paid Lunch Equity | 20-22 |
| Finding 2018-009 | |
| Special Education Cluster (IDEA) - Level of Effort | 22-24 |
| Finding 2018-010 | |
| Special Education Cluster (IDEA) - Procurement | 24-26 |
| Corrective Action Plan..... | 27-36 |
| Audit Results and Comments: | |
| Training on Internal Control Standards | 37 |
| Certification on Internal Control Standards | 37 |
| Exit Conference..... | 38 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--|--|
| Treasurer | Laura Boldery | 01-01-16 to 12-31-19 |
| Superintendent of Schools | Trevor Jones Jeffrey L. Bates (interim) | 07-01-16 to 01-31-19 02-01-19 to 06-30-19 |
| President of the School Board | Jodi Gray John Jones Rick P. Stockdale | 01-01-16 to 12-31-17 01-01-18 to 12-31-18 01-01-19 to 12-31-19 |



STATE OF INDIANA
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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 SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED
SCHOOL CORPORATION, JEFFERSON COUNTY, INDIANA

This report is supplemental to our audit report of the Southwestern Jefferson County Consolidated 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 Results and Comments as described below.

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

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

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

May 16, 2019

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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 of Finding 2016-001 from the immediately prior audit.

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).

The School Corporation had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the School Corporation's SEFA. One employee prepared the federal award information entered into Gateway without a control to prevent, or detect and correct, errors prior to submission.

Context

Failure to establish proper controls resulted in the SEFA containing the following errors:

1. In fiscal year 2016-2017, the National School Lunch Program expenditures and its related food commodities were omitted, resulting in expenditures being understated in the amount of \$441,773. In 2017-2018, the National School Lunch Program expenditures in the amount of \$373,017 were incorrectly included with the amount for the School Breakfast Program, and food commodities in the amount of \$67,671 were omitted.
2. Several program titles, CFDA numbers, and project numbers were incorrect.

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. . . .

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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. . . ."

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 of the School Corporation had not established a system of internal control that would have ensured proper reporting of the SEFA.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 School Corporation's management establish controls related to the preparation of the SEFA.

Views of Responsible Officials

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

FINDING 2018-002

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Finding 2016-002 from the immediately prior audit in relation to lack of segregation of duties for receipts and payroll, and monitoring of controls.

Condition

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

1. Lack of Controls - Cash and Investments: Controls in place over cash and investments were not effective. One bank reconciliation had no evidence of review and approval by someone other than the person performing the reconciliation. One bank reconciliation was performed and was reviewed and approved by someone other than the person performing the reconciliation, but the reconciliation was footed incorrectly. The approver signed off on the reconciliation even though the footed numbers did not reconcile to the School Corporation's records.
2. Lack of Segregation of Duties - Receipts: Receipts were written mostly by one employee who also made the bank deposits and took the deposits to the bank.

Supporting documentation, which consisted of duplicate receipts from the daycare and preschool staff, was not retained by the Business Office, nor were there any notations of the daycare and preschools receipt numbers recorded on the Business Office's receipts to provide proper audit trails to trace the source document to the amounts recorded in the financial records. As a result, those receipts could not be tested to determine whether the receipts were deposited intact and timely. Also, there were no reconciliations between the receipts issued and the actual monies remitted to the Business Office and deposited.

Persons responsible for billing fees for items, such as, preschool and aftercare and meals provided to outside organizations, were also responsible for collecting the monies owed and maintaining records of outstanding balances owed.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Receipts for services paid with a credit card were not being issued at the time of the transaction, but were instead being issued when the monies associated with the credit card payment were deposited into the bank account by the credit card processing company.

3. Lack of Segregation of Duties - Payroll: The School Corporation had not separated incompatible activities related to payroll. The employee processing payroll prepared the worksheets for each school year to determine the amounts to be paid to employees, made pay rate and deduction changes, verified and made changes to time sheets and/or authorization worksheets, tracked and made adjustments for the noncertified staff paid year round, input hours worked and leave time used, and prepared some of the payroll deduction payments. This employee also prepared the summary authorization worksheets for several departments and signed off on those departmental authorization worksheets, which included maintenance, bus drivers, and central office/business staff. This employee posted the payroll to the budgetary accounts and also ran the direct deposit reports and processed the direct deposits with the bank. There was no documented evidence of any review or approval process.
4. Monitoring of Controls: The School Corporation had no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the School Corporation to monitor and assess the quality of the system of internal control.

Context

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, Uniform Internal Control Standards for Indiana Political Subdivisions. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Risk is the possibility that an event will occur and adversely affect the achievement of objectives. Risk assessment is the process used to identify and assess internal and external risks to the achievement of objectives, and then establish risk tolerances. Each identified risk is evaluated in terms of its impact and likelihood of occurrence. Overall, risk assessment is the basis for determining how risk will be managed. . . ."

"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. . . ."

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . .

A baseline of the current state of the internal control system is compared against the original design of the internal control system. The baseline consists of issues and deficiencies identified in the internal control system. The results of the monitoring process are evaluated and documented

Management remediates identified issues. . . ."

Cause

Management of the School Corporation had not established a proper system of internal controls.

Effect

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

Recommendation

We recommended that the School Corporation establish a system of internal controls related to financial transactions and reporting over cash and investments, receipts, and payroll disbursements.

Views of Responsible Officials

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

FINDING 2018-003

Subject: Child Nutrition Cluster - 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 16/17, FY 17/18

Pass-Through Entity: Indiana Department of Education

Compliance Requirements: Activities Allowed or Unallowed, Cash Management, Eligibility,
Program Income, Reporting, Special Tests and Provisions -
Verification of Free and Reduced Price Applications (NSLP)

Audit Finding: Material Weakness

Repeat Finding

This is a repeat of Findings 2016-010 and 2016-012 from the immediately prior audit.

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:

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Activities Allowed or Unallowed

A review of the ledger expenditures was not performed to ensure all expenditures charged to the program were related to allowable activities. Also, timesheets were used to support the payroll expenses paid from school lunch funds, but some of the timesheets examined were not reviewed and approved by the Food Service Director or supervising official.

Cash Management

A system was not in place to review the balance of the School Lunch fund to determine compliance with the cash management requirements.

Eligibility

Determination of eligibility and review of computerized free and reduced applications were performed by one employee without any evidence of an oversight, review, or approval process.

Program Income

A worksheet was prepared accumulating daily program income related to meal purchases for the month. Monthly totals per the worksheet were used to record the financial activity to the School Lunch fund. Instances were identified in which figures recorded on the worksheet were adjusted to force the student subsidiary account balance to agree with the control account balance. Some adjustments were the result of credit card sales not being recorded at the time of the transactions. Controls were not in place to ensure the accuracy of the daily figures accumulated on the worksheet and to ensure all credit cards sales were recorded at the time of the activity.

The School Corporation had not separated incompatible duties associated with program income derived from meal sales. The same person responsible for recording monies collected on student accounts was also responsible for recording adjustments to student accounts without any oversight or review to ensure the adjustments recorded were valid.

Reporting

Monthly Sponsor Claims (claims for reimbursement), Annual Financial Reports, and the Annual Verification of Free and Reduced Price applications (NSLP) reports were prepared and submitted by either the Food Service Director or the Assistant to the Food Service Director without any oversight, review, or approval process.

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

The verification process was performed by one person. A second person signed the paperwork; however, they did not perform any oversight, review, or approval process.

Context

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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 of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and compliance requirements listed above.

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 compliance requirements. A lack of segregation of duties within an internal control system could have also 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 controls to ensure compliance with the grant agreement and the compliance requirements listed above.

Views of Responsible Officials

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

FINDING 2018-004

Subject: Child Nutrition Cluster - Allowable Costs/Cost Principles

Federal Agency: Department of Agriculture

Federal Programs: School Breakfast Program, National School Lunch Program

CFDA Numbers: 10.553, 10.555

Federal Award Numbers and Years (or Other Identifying Numbers): FY 16/17, FY 17/18

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Allowable Costs/Cost Principles

Audit Findings: Material Weakness, Modified Opinion

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Repeat Finding

This is a repeat of Finding 2016-011 from the immediately prior audit.

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 Allowable Costs/Cost Principles compliance requirement.

The Food Service Director did not obtain or review financial reports of the School Lunch fund to ensure that allowable costs were charged to the program. A system was not in place whereby the Food Service Director reviewed all invoices paid from the School Lunch fund.

Purchases were made from the School Lunch fund that were not directly related to the operation of the school food service program. Purchases in the amount of \$40,593 were made for an outdoor LED sign, gym projector, and sound system. In addition, salaries for the school resource officer in the amount of \$6,503 were charged to the program. These expenditures, along with \$800 for tables in the teachers' lounge, were considered known questioned cost totaling \$47,896. The \$800 for tables identified during sampling results in projected unallowable costs of \$14,354.

The School Corporation did not have adequate documentation to support the allocation of some salaries and wages charged to the program. Employees performing multiple duties for the School Corporation did not have adequate documentation to support the amount of time worked on the program in relationship to other duties performed. Garbage removal, gas heating, and water and sewer utility costs were charged to the program without documentation to support how the percentage of the total costs charged to the program were determined.

Context

The lack of controls and noncompliance were systemic issues during the entire audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.430(i) states in part:

"Standards for Documentation of Personnel Expenses (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (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. . . ."

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. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were known questioned costs identified, which totaled \$47,896.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance with the grant agreement and the Allowable Costs/Cost Principles compliance requirement.

Views of Responsible Officials

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-005

Subject: Child Nutrition Cluster - Equipment
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 Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2016-009 from the immediately prior audit.

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 and Real Property Management compliance requirement.

Equipment records were not properly maintained during the audit period to record all acquisitions and disposals of equipment, nor had a physical inventory been conducted within the last two years. Approval had not been obtained from the awarding agency for the purchase of equipment.

Context

The lack of internal 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 200.313(d) states in part:

"*Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part under a Federal award, until disposition takes place will, as a minimum, meet the following requirements:

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. . . ."
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. . . ."

2 CFR 200.313(a) states in part:

". . . Title must vest in the non-Federal entity subject to the following condition: . . .

- (2) Not encumber the property without approval of Federal awarding agency or pass through entity. . . ."

United States Department of Agriculture (USDA) memo code SP 31 - 2014 states in part:

"Appendix B, section 15 . . . require a grantee or subgrantee to obtain the prior written approval of its awarding agency before incurring the cost of a capital expenditure . . . Any equipment established on the FNS-approved equipment list will receive automatic State approved agency approval . . . If any equipment purchases are identified as unallowable, State agencies would disallow these purchases and implement their debt collection procedures."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Equipment and Real Property Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in 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 with 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.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-006

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program
CFDA Numbers: 10.553, 10.555
Federal Award Numbers and Years (or Other Identifying Numbers): 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

Repeat Finding

This is a repeat of Finding 2016-008 from the immediately prior audit.

Condition

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

Procurement

An effective internal control system was not in place at the School Corporation to ensure that the purchasing methods used complied with applicable state and local requirements, or that revisions were made to the purchasing policy to ensure that the purchasing method used complied with 2 CFR 200.320.

The Food Service Director was responsible for the preparation, distribution, and review of the bid packets sent to vendors. There was no oversight to verify that the School Corporation was adhering to grant requirements over procurement.

The procurement policy presented for audit did not conform to the 2 CFR 200.320 standards. These standards included micro-purchases, small purchases, and other purchases including those with sole source vendors. The School Corporation also did not have written standards covering conflicts of interest governing performance of its employees engaged in the selection, award, and administration of contracts. In addition, the School Corporation did not have a policy to maintain, and did not maintain, the history of its procurements.

Suspension and Debarment

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

The School Corporation did not comply with the suspension and debarment requirements. The School Corporation had not established a suspension and debarment policy, nor did they retain supporting documentation to show that they verified that the vendors were not suspended or debarred from participation in federal programs before doing business with them.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

The lack of controls and noncompliance over Procurement and Suspension and Debarment were systemic throughout the entire 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.

(b) Non-Federal entities must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(c)(1) The non-Federal entity must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award and administration of contracts. . . .

(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.

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

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

(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. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

2 CRF 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 of the School Corporation had not developed a system of internal controls to ensure 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 noncompliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Questioned Costs

There were no questioned costs identified.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 2018-007

Subject: Child Nutrition Cluster - 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 16/17, FY 17/18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - School Food Accounts
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat of Finding 2016-010 from the immediately prior audit.

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 Special Tests and Provisions - School Food Accounts compliance requirement.

Controls were not in place to ensure that all applicable revenue and expenses were properly accounted for in the school food account. Ledger reports showing revenue and expenditures of the school food account (School Lunch fund) were not reviewed to ensure all revenue was accounted for within the fund and only allowable costs were charged to the fund.

In August 2016, the amount of \$100,000 was transferred out of the School Lunch fund to the Rainy Day fund for activity not related to the operation of the school food account program. In the fall of 2018, the School Corporation was informed the transfer was not allowable and subsequently, transferred the monies back to the School Lunch fund on October 24, 2018.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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). . . ."

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. . . ."

7 CFR 220.7(e) states in part:

". . . The School Food Authority shall, with respect to participating schools under its jurisdiction:

- (1)(i) Maintain a nonprofit school food service;
- (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. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls that ensured compliance with the grant agreement and the Special Tests and Provisions - School Food Accounts compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - School Food Accounts 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 Special Tests and Provisions - School Food Accounts compliance requirement.

Views of Responsible Officials

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

FINDING 2018-008

Subject: Child Nutrition Cluster - Special Tests and Provisions - Paid Lunch Equity
Federal Agency: Department of Agriculture
Federal Program: National School Lunch Program
CFDA Number: 10.555
Federal Award Number and Year (or Other Identifying Number): FY 16/17
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Special Tests and Provisions - Paid Lunch Equity
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat of Finding 2016-010 from the immediately prior audit.

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 Special Tests and Provisions - Paid Lunch Equity compliance requirement. Paid lunch equity calculations were prepared by one employee without an oversight, review, or approval process.

During fiscal year 2016-2017 lunch prices were not increased as required based on the paid lunch equity calculator.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period. The noncompliance only pertained to 2016-2017.

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(e) states in part:

"Pricing paid lunches. For each school year beginning July 1, 2011, school food authorities shall establish prices for paid lunches in accordance with this paragraph.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (1) Calculation procedures. Each school food authority shall:
 - (i) Determine the average price of paid lunches. The average shall be determined based on the total number of paid lunches claimed for the month of October in the previous school year, at each different price charged by the school food authority.
 - (ii) Calculate the difference between the per meal Federal reimbursement for paid and free lunches received by the school food authority in the previous school year (i.e., the reimbursement difference);
 - (iii) Compare the average price of a paid lunch under paragraph (e)(1)(i) of this section to the difference between reimbursement rates under paragraph (e)(1)(ii) of this section.
- (2) Average paid lunch price is equal to/greater than the reimbursement difference. When the average paid lunch price from the prior school year is equal to or greater than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average paid lunch price for the current school year that is not less than the difference identified in (e)(1)(iii) of this section; except that, the school food authority may use the procedure in paragraph (e)(4)(ii) of this section when establishing prices of paid lunches.
- (3) Average lunch price is lower than the reimbursement difference. When the average price from the prior school year is lower than the difference in reimbursement rates as determined in paragraph (e)(1)(iii) of this section, the school food authority shall establish an average price for the current school year that is not less than the average price charged in the previous school year as adjusted by a percentage equal to the sum obtained by adding:
 - (i) 2 percent; and
 - (ii) The percentage change in the Consumers Price Index for All Urban Consumers used to increase the Federal reimbursement rate under section 11 of the Act for the most recent school year for which data are available. The percentage to be used is found in the annual notice published in the FEDERAL REGISTER announcing the national average payment rates, from the prior year.
- (4) Price adjustments.
 - (i) Maximum required price increase. The maximum annual average price increase required under this paragraph shall not exceed ten cents.
 - (ii) Rounding of paid lunch prices. Any school food authority may round the adjusted price of the paid lunches down to the nearest five cents.
 - (iii) Optional price increases. A school food authority may increase the average price by more than ten cents."

Cause

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish an effective internal control system placed the School Corporation in noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity 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 Special Tests and Provisions - Paid Lunch Equity 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 2018-009

Subject: Special Education Cluster (IDEA) - Level of Effort

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 14215-038-PN01, 14216-036-PN01,
14216-138-PN01, 14217-036-PN01,
14217-140-PN01, 18611-036-PN01,
45715-038-PN01, 45716-036-PN01,
45716-136-PN01, 45717-036-PN01,
45717-140-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

This is a repeat of Finding 2016-013 from the immediately prior audit.

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 maintenance of effort requirement of the Matching, Level of Effort, Earmarking compliance requirement.

The state and local expenditure categories reported on the applications were inconsistent between the applications for application year 2017, application year 2018, and application year 2019. There were no explanations provided for the inconsistencies. In addition to the inconsistencies in expenditure categories reported, the expenditures reported in application year 2019 included costs not associated with special education. As a result of inconsistencies in expenditure categories and incorrect costs reported, we could not determine compliance with maintenance of effort requirements.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 300.203(b) states in part:

"Compliance standard.

- (1) Except as provided in §§ 300.204 and 300.205, funds provided to an LEA under Part B of the Act must not be used to reduce the level of expenditures for the education of children with disabilities made by the LEA from local funds below the level of those expenditures for the preceding fiscal year.
- (2) An LEA meets this standard if it does not reduce the level of expenditures for the education of children with disabilities made by the LEA from at least one of the following sources below the level of those expenditures from the same source for the preceding fiscal year, except as provided in §§ 300.204 and 300.205:
 - (i) Local funds only;
 - (ii) The combination of State and local funds;
 - (iii) Local funds only on a per capita basis; or
 - (iv) The combination of State and local funds on a per capita basis. . . ."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the grant agreement and the Matching, Level of Effort, Earmarking 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 Matching, Level of Effort, Earmarking compliance requirement.

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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 Matching, Level of Effort, Earmarking 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 2018-010

Subject: Special Education Cluster (IDEA) - Procurement

Federal Agency: Department of Education

Federal Programs: Special Education Grants to States, Special Education Preschool Grants

CFDA Numbers: 84.027, 84.173

Federal Award Numbers and Years (or Other Identifying Numbers): 45717-140-PN01, 14217-140-PN01,
45716-036-PN01, 45716-136-PN01,
14216-036-PN01, 14216-138-PN01,
18611-036-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Material Weakness, Other Matters

Condition

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

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

Procurement

The procurement policy used by the fiscal agent did not reflect the federal guidelines established under Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* Uniform Guidance, causing the fiscal agent to be noncompliant with the requirements for Procurement.

Context

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED 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). . . ."

2 CFR 200.318(a) states: "The non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part."

2 CFR 200.320 states in part:

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

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

(b) Procurement by small purchase procedures. Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. . . .

(f) Procurement by noncompetitive proposals. Procurement by noncompetitive proposals is procurement through solicitation of a proposal from only one source and may be used only when one or more of the following circumstances apply:

- (1) The item is available only from a single source;
- (2) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation;
- (3) The Federal awarding agency or pass-through entity expressly authorizes noncompetitive proposals in response to a written request from the non-Federal entity; or
- (4) After solicitation of a number of sources, competition is determined inadequate."

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Cause

Management of the School Corporation had not developed or implemented a system of internal controls that would have ensured compliance with the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

Interim Superintendent

Jeffrey L. Bates

Assistant To
Superintendent/
Corporation Treasurer
Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

Board of School Trustees

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

FINDING 2018-001

Contact Person Responsible for Corrective Action: Penny Mahoney, Federal Bookkeeper; Melissa May, Federal Bookkeeper (part-time); Laura Boldery, Corporation Treasurer; Katie King, Child Nutrition Director
Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Audit adjustments were proposed, accepted and made to the SEFA.

The Federal Bookkeeper will be filling out the SEFA report. She will run reports to support the numbers and keep in a binder for review. The Child Nutrition Director will provide the SEFA information and supporting documentation to the Federal Bookkeeper. A SEFA folder will be kept with all information in Central Office for review. The previous Federal Bookkeeper works part-time to help with our internal control. She will be reviewing all SEFA information prior to entering. The Treasurer will check the SEFA and documentation and approve prior to the Federal Bookkeeper submitting the report. A form will be kept in the SEFA folder with all signatures of persons reviewing the information for correctness.

Anticipated Completion Date:

This procedure was to begin January 1, 2019 after our Audit and training of new personnel.

Laura Boldery
(Signature)

Treasurer/Asst. to Supt.
(Title)

5-16-19
(Date)

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Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

Board of School Trustees

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

FINDING 2018-002

Contact Person Responsible for Corrective Action: Penny Mahoney, Federal Bookkeeper; Melissa May, Federal Bookkeeper (part-time); Laura Boldery, Corporation Treasurer; Linda Shepherd, Asst. Treas.
Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Bank statements are done by one person, checked and approved by another person. It is always noted if the reconciliation is off and that is noted by the signing of the second person. As time allows the amount will be found and corrected the next month.

Lack of Segregation of Duties – Receipts: The Assistant Treasurer prepares the Deposit slips. The Fed. Bkcp. takes Deposits to Bank. PT. Bkcp prints, posts receipts. The Treas. approves the receipts and signs each one. Receipts are then posted into Komputrol by one of us. Preschool receipts are kept in a separate log and accounting procedures according to Auditors recommendations.

Payroll: Timesheets are being used and signed by the supervisor of the employee. Payroll Secretary checks and prepares Komputrol trial journal. The former payroll secretary checks the trail journal and employee pay rates for accuracy and signs off. Checks are then printed.

Central office personnel will begin a closer check on preschool accounting. Credit card processing and bookkeeping is being changed.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin January 1, 2019 after our Audit and training of new personnel.

Laura Boldery
(Signature)

Treasurer/Asst. to Dept.
(Title)

5-16-19
(Date)

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Jodi Gray, Member

Assistant To
Superintendent/
Corporation Treasurer
Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-003

Contact Person Responsible for Corrective Action: Katie King, Child Nutrition Director; Penny Mahoney, Federal Bookkeeper & Payroll;; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation Treasurer; Linda Shepherd, assistant Treasurer.

Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Activities: Monthly reports will be run and sent from Central Office to the Child Nutrition Director to ensure all expenditures charged to the program were related to allowable activities. Timesheets will be used to support the payroll expenses paid from School Lunch funds. The timesheets will be reviewed and signed by the Child Nutrition Director or supervising official.

Cash Management: Monthly reports above will be kept on file to determine compliance with the cash management requirements.

Eligibility: The Child Nutrition Director and Assistant will be approving all applications. Quarterly the file will be reviewed by someone in the Central Office with signatures on the ones being checked. The cafeteria will keep all verifications on file for future audits.

Program Income: After examples from the Auditor as to how to record the student subsidiary account balance to agree with the control account balance a new procedure will be used. Any credit card sales will be recorded as of the time of the activity or shown as outstanding on the bank statement balancing. Adjustments made will be approved by another person in the office.

Reporting: Monthly reimbursement claims, annual financial reports, and the NSLP reports will try to be prepared by one person and submitted by another person in the cafeteria office for better internal control.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer Asst. to Supt.
(Title)

5-16-19
(Date)

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Interim Superintendent

Jeffrey L. Bates

Assistant To
Superintendent/
Corporation Treasurer
Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

Board of School Trustees

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

FINDING 2018-004

Contact Person Responsible for Corrective Action: Katie King, Child Nutrition Director; Penny Mahoney, Federal Bookkeeper & Payroll;; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation Treasurer; Linda Shepherd, assistant Treasurer.

Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Allowable Costs/Cost Principals: Monthly financial reports will be given to the Child Nutrition Director for her or her assistant to review the expenditures for compliance requirements. Purchases will be closely monitored in order to try to expend according to the grant agreement. Records will be kept on file certifying this corrective action.

Documentation will be on file explaining the computation used for salary expenses charged to the School Lunch Fund along with utility costs.

Employees working on more than one Federal award or other job will keep separate timesheets signed by each supervisor. The timesheets will be on file for review.

Internal control will be a process continually being worked on for compliance in every area.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer / Asst. to Supt.
(Title)

5-16-19
(Date)

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Corporation Treasurer
Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

Board of School Trustees

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

FINDING 2018-005

Contact Person Responsible for Corrective Action: Katie King, Child Nutrition Director; Penny Mahoney, Federal Bookkeeper & Payroll;; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation; Cathy Bear, Inventory & Fixed Assets; Treasurer; Linda Shepherd, Assistant Treasurer.
Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253; 812-866-6251

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Management requirements: Equipment records will record all acquisitions and disposals of equipment to the best of our ability. New forms have been printed for School Lunch and IT Department to be filled out and returned to central office. The form will record the addition or deletion of equipment with the cost value. It is the responsibility of the Child Nutrition Director and Technology Director to review and approve this form. Quarterly reports of expenditures will be given to Inventory/Fixed Asset Bookkeeper in Central Office to keep on file for future Audits

Inventory: An inventory is scheduled to take place the summer of 2019.

Internal control will be a process continually being worked on for compliance in every area.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer/Asst. to Supt.
(Title)

5-16-19
(Date)

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Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

May 16, 2019

CORRECTIVE ACTION PLAN

FINDING 2018-006

Contact Person Responsible for Corrective Action: Katie King, Child Nutrition Director; Penny Mahoney, Federal Bookkeeper & Payroll;; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation; Cathy Bear, Inventory & Fixed Assets; Treasurer; Linda Shepherd, Assistant Treasurer.
Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253; 812-866-6251

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Procurement: A new Child Nutrition Director has been hired with an Assistant. The Procurement Policy was explained to them during this Audit. The Director or Assistant is responsible for the preparation, distribution and review of the bid packets sent to vendors. The other Director or Assistant will verify that the School Corporation is adhering to grant requirements over procurement.

The Procurement Policy is being revised to conform to the 2 cfr 200.320 standards. Written standards covering conflicts of interest governing performance of its employees engaged in the selection, award, and administration of contracts are being updated by the Director as well as a policy. A history is to be kept by the Director.

Suspension and Debarment: The Child Nutrition Director or Assistant will check the suspension or debarment of vendors list prior to bidding. A Policy will be worked on and supporting documentation will be kept for audit review.

Internal control will be a process continually being worked on for compliance in every area.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer / Asst. to Supt.
(Title)

5-16-19
(Date)

CHARACTER COUNTS!

Everywhere – All The Time

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Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

Interim Superintendent

Jeffrey L. Bates

Assistant To
Superintendent/
Corporation Treasurer
Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

Board of School Trustees

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

FINDING 2018-007

Contact Person Responsible for Corrective Action: Katie King, Child Nutrition Director; Penny Mahoney, Federal Bookkeeper & Payroll;; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation; Cathy Bear, Inventory & Fixed Assets; Treasurer; Linda Shepherd, Assistant Treasurer.
Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253; 812-866-6251

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Special Tests and Provisions: The Child Nutrition Director and Assistant will obtain and review the monthly reports for revenue history, expenditure history and payroll to ensure all revenue was accounted for within the School Lunch Fund and only allowable costs were charged to the fund.

Internal control will be a process continually being worked on for compliance in every area.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer/Asst. to Supt.
(Title)

5-16-19
(Date)

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Interim Superintendent

Jeffrey L. Bates

Assistant To
Superintendent/
Corporation Treasurer
Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

Board of School Trustees

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

FINDING 2018-008

Contact Person Responsible for Corrective Action: Katie King, Child Nutrition Director; Penny Mahoney, Federal Bookkeeper & Payroll;; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation; Cathy Bear, Inventory & Fixed Assets; Treasurer; Linda Shepherd, Assistant Treasurer.
Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253; 812-866-6251

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan:

Special Tests and Provisions – Paid Lunch Equity: The Child Nutrition Director and Assistant will obtain the information for the PLE. One of them will complete the report. The other one will review and approve the PLE prior to submission. All worksheets will be kept for Audit review.

Internal control will be a process continually being worked on for compliance in every area.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer / Asst. to Supt.
(Title)

5-16-19
(Date)

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Southwestern Jefferson County Consolidated School Corporation

239 South Main Cross Street Hanover, Indiana 47243-9309 Administrative Office 812-866-6250 FAX 812-866-6256

Interim Superintendent
Jeffrey L. Bates

Board of School Trustees

May 16, 2019

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

Assistant To
Superintendent/
Corporation Treasurer
Laura Boldery

CORRECTIVE ACTION PLAN

FINDING 2018-009

Contact Person Responsible for Corrective Action: Katie King, Child Nutrition Director; Penny Mahoney, Federal Bookkeeper & Payroll;; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation; Cathy Bear, Inventory & Fixed Assets; Treasurer; Linda Shepherd, Assistant Treasurer.
Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253; 812-866-6251

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan

Maintenance of Effort: Chris Trader, Treasurer, of Madison Area Special Services has helped complete the MOE from our records made available when he comes to our office to help the Assistant Treasurer who does the actual calculations. A step by step guide will be made available for completion of the report. All backup materials will be filed for future Audit reviews. The final report will be reviewed and approved by someone other than the preparer prior to submission.:

Internal control will be a process continually being worked on for compliance in every area.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer / Asst. To Supt.
(Title)

5-16-19
(Date)

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Interim Superintendent

Jeffrey L. Bates

Assistant To
Superintendent/
Corporation Treasurer
Laura Boldery

May 16, 2019

CORRECTIVE ACTION PLAN

Board of School Trustees

Richard Stockdale, President
John Jones, Vice-President
Lacie Deputy, Secretary
Narci Burress, Member
Jodi Gray, Member

FINDING 2018-010

Contact Person Responsible for Corrective Action: Chris Trader, Treasurer of Madison Educational Special Services Unit; Melissa May, Bookkeeper (part-time); Laura Boldery, Corporation Treasurer; Linda Shepherd, Assistant Treasurer.

Contact Phone Number: 812-866-1235; 812-866-6252; 812-866-6254; 812-866-6253; 812-866-6251

Views of Responsible Official: We concur with the Finding.

Description of Corrective Action Plan

Procurement: The Procurement Policy for Southwestern Schools is being revised to conform to standards. The Special Services Coop will work on verifying that they are adhering to grant requirements by checking to be sure no vendor is on the list for suspension or debarment.

If small purchases procedures are used, price or rate quotations will be obtained from an adequate number of qualified sources. Proposals will be obtained from more than one vendor to ensure compliance with the grant agreement and the Procurement compliance requirement.

Internal control will be a process continually being worked on for compliance in every area.

Anticipated Completion Date: Changes are being worked on daily. This procedure was to begin May 1, 2019 after our Audit and training of new procedures and personnel..

Laura Boldery
(Signature)

Treasurer / Asst. to Syst.
(Title)

5-16-19
(Date)

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SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

TRAINING ON INTERNAL CONTROL STANDARDS

No information was presented for audit to show that new employees during the audit period received the required training on internal control standards.

Indiana 5-11-1-27(g) states in part:

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

- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Certification was not reported accurately on the Gateway for Government Units financial reporting system during the audit period. The School Corporation reported training was received by employees, but was unable to provide documentation that training on internal controls was actually conducted for new employees.

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

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

SOUTHWESTERN JEFFERSON COUNTY CONSOLIDATED SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2019, with Laura Boldery, Treasurer; Jeffrey L. Bates, interim Superintendent of Schools; Rick P. Stockdale, President of the School Board; and Linda Shepherd, Assistant Treasurer.