

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

SUPPLEMENTAL COMPLIANCE REPORT
OF

SOUTH VERMILLION COMMUNITY
SCHOOL CORPORATION
VERMILLION COUNTY, INDIANA

July 1, 2016 to June 30, 2018



FILED
06/17/2019

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Business Manager/Treasurer	Cindy Guinn	07-01-16 to 06-30-19
Superintendent of Schools	David Chapman	07-01-16 to 06-30-19
President of the School Board	John P. Roehm	01-01-16 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 SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION, VERMILLION COUNTY, INDIANA

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

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

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

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

May 13, 2019

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS

FINDING 2018-001

Subject: Financial Transactions and Reporting, Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2016-001.

Condition

There were deficiencies in the internal control system of the School Corporation related to financial transactions and reporting. There was a lack of segregation of duties as the School Corporation had not separated incompatible activities related to receipts. The School Corporation had not established controls to ensure payroll disbursements were properly recorded and classified in the ledgers and financial statements. The School Corporation had not properly implemented an effective system of internal controls to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Receipts

The Business Manager issued receipts, recorded receipts, and took the deposits to the bank. There was no segregation of duties, such as an oversight, review, or approval process.

Payroll Related Disbursements

The School Corporation had not established documented controls to ensure that employees were paid the correct amount or paid from the proper fund.

Schedule of Expenditures of Federal Awards

The School Corporation did not have an adequate control system in place to ensure the accuracy of the SEFA prior to submission. Federal grant information was prepared and submitted in the Indiana Gateway for Government Units financial reporting system, which was the source of the SEFA, without an oversight or review process.

The SEFA was overstated (net of any understatements) by \$196,681 in fiscal year 2016-2017 and \$185,622 in 2017-2018, resulting in a total overstatement of \$382,303. Audit adjustments were proposed, approved by the School Corporation, and made to the SEFA.

Context

The lack of adequate internal controls was a systemic issue throughout the audit period. Due to the lack of internal controls, the SEFA included expenditures of grant funds which should have been excluded.

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:

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

- (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

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.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

- (6) Include notes that describe that significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

The School Corporation had not established a proper system of internal control that segregated key functions.

Effect

The failure to establish and properly implement internal controls enabled material misstatements to go undetected. The SEFA contained the errors identified in the *Condition*.

Recommendation

We recommended that the School Corporation establish a system of internal controls to ensure that financial transactions will be properly recorded and reported and federal expenditures will be properly reported in the SEFA.

Views of Responsible Officials

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

Auditor's Response

It was and is the School Corporation's responsibility to be in compliance with all applicable federal regulations and guidelines when accepting a federal grant. It is our responsibility to express an opinion on the School Corporation's compliance with federal regulations and guidelines, as well as to consider the School Corporation's internal controls over compliance with those regulations and guidelines.

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grants. The timing of our audit does not release the School Corporation of that responsibility.

FINDING 2018-002

Subject: Child Nutrition Cluster - Eligibility
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: Eligibility
Audit Findings: Material Weakness, Modified Opinion

Repeat Finding

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

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

The School Corporation had not established adequate internal controls to ensure that the eligibility determination for free and reduced priced meal applications was correct. The School Corporation had not established adequate internal controls to ensure that eligibility parameters were properly entered in the computer software that was used to determine eligibility; there was no documented oversight, review, or approval of the information entered.

The School Corporation had not established effective controls to ensure that criteria for determining the eligibility of children for free and reduced price meals was publicly announced as required. Policy statements used for public announcement of eligibility criteria and other eligibility information were not presented for audit.

Context

The lack of controls and lack of documentation regarding compliance were systemic issues throughout the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 245.5(a) states in part:

"After the State agency, or FNSRO where applicable, notifies the local educational agency (as defined in § 245.2) that its criteria for determining the eligibility of children for free and reduced price meals and for free milk have been approved, the local educational agency (as defined in § 245.2) shall publicly announce such criteria: Provided however, that no such public announcement shall be required for boarding schools, residential child care institutions (see § 210.2 of this chapter, definition of Schools), or a school which includes food service fees in its tuition, where all attending children are provided the same meals or milk. Such announcements shall be made at the beginning of each school year or, if notice of approval is given thereafter, within 10 days after the notice is received. . . ."

Cause

Management of the School Corporation had not developed a system of internal controls to ensure compliance with the grant agreement and the Eligibility compliance requirement.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

The failure to establish controls enabled material noncompliance to go undetected. Noncompliance with the grant agreement and the Eligibility compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

School Corporation's Response - Cause of Issue

For the School Corporation's response, refer to the Corrective Action Plan that is part of this report.

Auditor's Response

It was and is the School Corporation's responsibility to be in compliance with all applicable federal regulations and guidelines when accepting a federal grant. That includes having internal controls over all applicable compliance requirements, including Eligibility, of the Child Nutrition Cluster. It is our responsibility to express an opinion on the School Corporation's compliance with each major federal program as well as to consider the School Corporation's internal controls over compliance with those types of requirements that could have a direct and material effect on each major federal program.

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grant. The timing of our audit does not release the School Corporation of that responsibility.

FINDING 2018-003

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 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 finding from the immediately prior audit report. The prior audit finding number was 2016-004.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Procurement and Suspension and Debarment compliance requirement.

The School Corporation had not established controls to ensure compliance with its procurement policy, which was in compliance with 2 CFR 200.320, and also addressed suspension and debarment.

Procurement

The School Corporation did not obtain an adequate number of price or rate quotes for small purchases exceeding \$3,500 in accordance with their purchasing policy.

Suspension and Debarment

The School Corporation did not perform procedures addressed in its procurement policy to verify that vendors were not suspended or debarred from participation in federal programs before entering into a contract.

Context

The lack of controls and noncompliance were systemic issues throughout the audit period. The School Corporation did not obtain three price or rate quotes for any of the four vendors tested for which the requirement applied. The School Corporation performed procedures to verify that one of the two contractors tested had not been suspended or debarred.

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. . . ."

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

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."

2 CFR 180.300 states:

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

You do this by:

- (a) Checking 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

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

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

School Corporation's Response - Cause of Issue

For the School Corporation's response, refer to the Corrective Action Plan that is part of this report.

Auditor's Response

It was and is the School Corporation's responsibility to be in compliance with all applicable federal regulations and guidelines when accepting a federal grant. That includes having internal controls over all applicable compliance requirements, including Procurement and Suspension and Debarment, of the Child Nutrition Cluster. It is our responsibility to express an opinion on the School Corporation's compliance with each major federal program, as well as to consider the School Corporation's internal controls over compliance with those types of requirements that could have a direct and material effect on each major federal program.

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grant. The timing of our audit does not release the School Corporation of that responsibility.

FINDING 2018-004

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 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 - Paid Lunch Equity
Audit Finding: Material Weakness

Repeat Finding

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

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Condition

The School Corporation had not established an effective system of internal controls related to the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

The Food Service Director performed the calculations for paid lunch equity without a documented oversight, review, or approval process to ensure their accuracy.

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

Cause

The School Corporation had not developed or implemented a system of internal controls to ensure compliance with the Special Tests and Provisions - Paid Lunch Equity compliance requirement.

Effect

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the Special Tests and Provisions - Paid Lunch Equity compliance requirement. A lack of segregation of duties within an internal control system could have also allowed noncompliance with the compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

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 Special Tests and Provisions - Paid Lunch Equity compliance requirement.

School Corporation's Response - Cause of Issue

For the School Corporation's response, refer to the Corrective Action Plan that is part of this report.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Auditor's Response

It was and is the School Corporation's responsibility to be in compliance with all applicable federal regulations and guidelines when accepting a federal grant. That includes having internal controls over all applicable compliance requirements, including Special Tests and Provisions - Paid Lunch Equity, of the Child Nutrition Cluster. It is our responsibility to express an opinion on the School Corporation's compliance with each major federal program, as well as to consider the School Corporation's internal controls over compliance with those types of requirements that could have a direct and material effect on each major federal program.

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grant. The timing of our audit does not release the School Corporation of that responsibility.

FINDING 2018-005

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

Repeat Finding

This is repeat finding from the immediately prior audit report. The prior audit finding number was 2016-005.

Condition

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

The School Corporation had not designed or implemented adequate controls to ensure program income was correctly recorded. There was no comparison or review of total daily, weekly, or monthly program income from meals served reports from the software system to ensure only amounts for meals served were transferred as program income.

The School Corporation did not comply with program income requirements. Prepaid meal collections were commingled with collections from sales of meals, à la carte, and catering, and recorded as program income. Based upon reports of meals served, and collections from à la carte and catering, program income transfers for the four months tested were \$7,195 less than the collections recorded in the School Lunch fund. When projected to the population, collections exceeded program income based upon sales of meals by \$36,143.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Context

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

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

7 CFR 210.14(c) states:

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

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

7 CFR 220.7(e) states in part:

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

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

7 CFR 225.6(e) states in part:

"State-Sponsor Agreement. A sponsor approved for participation in the Program must enter into a permanent written agreement with the State agency. All sponsors must agree in writing to: . . .

13. Maintain a financial management system as prescribed by the State agency; . . ."

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

10.553 School Breakfast Program, 10.555 National School Lunch Program, 10.556 Special Milk Program for Children, and 10.559 Summer Food Service Program for Children

When a student puts money into their individual meal account, it should not be considered income to the child nutrition program until that student goes through the lunch line and charges a meal to their account. Therefore, while money is in the student's individual account, the balance should not be included in Fund 800 School Lunch. A school should set up a clearing account with the fund number of 8400 Prepaid School Lunch Accounts, which is included in Chapter 4 of the State Board of Accounts Uniform Compliance Guidelines for Indiana Public School Corporations. When a student brings in a deposit the receipt should be recorded to fund 8400 using receipt account 1630 Special Functions. After the student has charged meals, you should disburse the amount charged from 8400 using expenditure account 31900 Other Food Services and receipt this into fund 800 using the Food Services receipt accounts 1611-1623 at the time established in a written school policy to ensure accurate monthly reporting. At this point the receipts are considered program income and should be included on any reports that are required to be completed. Also, on a monthly basis it is required that the balance of the 8400 fund be reconciled with the total of the individual meal accounts. (The School Bulletin and Uniform Compliance Guidelines, February 2019)

2 CFR 200.302(b)(3) states:

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

Cause

The School Corporation had not developed a system of internal controls that would have ensured compliance with the Program Income compliance requirement.

Effect

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

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Program Income compliance requirement.

School Corporation's Response - Cause of Issue

For the School Corporation's response, refer to the Corrective Action Plan that is part of this report.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Auditor's Response

It was and is the School Corporation's responsibility to be in compliance with all applicable federal regulations and guidelines when accepting a federal grant. That includes having internal controls over all applicable compliance requirements, including Program Income, of the Child Nutrition Cluster. It is our responsibility to express an opinion on the School Corporation's compliance with each major federal program, as well as to consider the School Corporation's internal controls over compliance with those types of requirements that could have a direct and material effect on each major federal program.

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grant. The timing of our audit does not release the School Corporation of that responsibility.

FINDING 2018-006

Subject: Child Nutrition Cluster - Reporting
Federal Agency: Department of Agriculture
Federal Programs: School Breakfast Program, National School Lunch Program,
Summer Food Service Program for Children
CFDA Numbers: 10.553, 10.555, 10.559
Federal Award Numbers and Years (or Other Identifying Numbers): FY 16-17, FY 17-18
Pass-Through Entity: Indiana Department of Education
Compliance Requirement: Reporting
Audit Findings: Material Weakness, Other Matters

Repeat Finding

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

Condition

An effective internal control system was not in place at the School Corporation in order to ensure compliance with requirements related to the grant agreement and the Reporting compliance requirement. The Annual Financial Reports, Monthly Sponsor Claims (claim for reimbursement), and School Food Authority (SFA) Verification Collection Reports were prepared and submitted by one individual, without a documented oversight, review, or approval process.

Context

The lack of controls was a systemic issue that affected all reports submitted during the audit period. Both of the Annual Financial Reports submitted during the audit period did not agree with the underlying financial records.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

2 CFR 200.302(b)(2) states in part: "Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in §§ 200.327 Financial reporting and 200.328 Monitoring and reporting program performance. . . ."

2 CFR 200.302(b)(3) states:

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

Cause

The School Corporation's management had not developed a system of internal controls that would have ensured compliance with the Reporting compliance requirement.

Effect

The failure to establish an effective internal control system enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the Reporting compliance requirement could have resulted in the loss of federal funds to the School Corporation.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the School Corporation's management establish controls to ensure compliance and comply with the Reporting compliance requirement.

School Corporation's Response - Cause of Issue

For the School Corporation's response, refer to the Corrective Action Plan that is part of this report.

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
FEDERAL FINDINGS
(Continued)

Auditor's Response

It was and is the School Corporation's responsibility to be in compliance with all applicable federal regulations and guidelines when accepting a federal grant. That includes having internal controls over all applicable compliance requirements, including Reporting, of the Child Nutrition Cluster. It is our responsibility to express an opinion on the School Corporation's compliance with each major federal program, as well as to consider the School Corporation's internal controls over compliance with those types of requirements that could have a direct and material effect on each major federal program.

We acknowledge that, due to the timing of the prior audit, the School Corporation did not have time to correct the identified issues before the beginning of the current audit period; however, we are required to report the control deficiencies and noncompliance which were present in the current audit period. The responsibility for compliance with all applicable regulations and guidelines was assumed by the School Corporation when it accepted the federal grant. The timing of our audit does not release the School Corporation of that responsibility.



SOUTH VERMILLION COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

P.O. Box 387
Clinton, IN 47842

CORRECTIVE ACTION PLAN

Section II – Financial Statement Findings

REPORT PERIOD: JULY 1, 2016 - JUNE 30, 2018

FINDING 2018-001- REPEAT (B50668)

Contact Person: Cindy Guinn
Contact Phone Number: 765-832-2426

ISSUE:

RECEIPTS – The Business Manager (Cindy Guinn) issued receipts, recorded receipts and took deposits to bank – no segregation of duties or oversight.

PAYROLL – The corporation had no documented controls to ensure employees were paid the correct amount or from the proper fund

SEFA – The corporation did not have an adequate control system in place to ensure the accuracy of the SEFA prior to submission.

UNIT RESPONSE-CAUSE OF ISSUE:

DUE TO THE DELAY IN AUDITING SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION FOR THE PERIOD OF July 14, 2014-June 30, 2016 (audit completed June of 2018), THERE WAS NO TIME TO TAKE CORRECTIVE ACTION DURING THIS REPORT PERIOD.

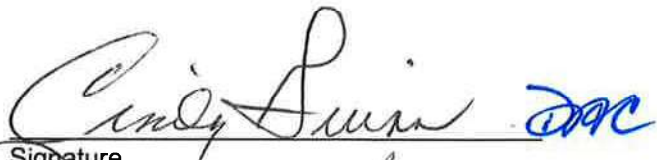
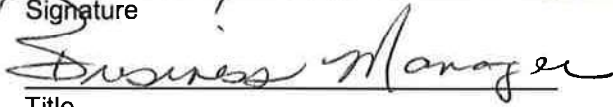
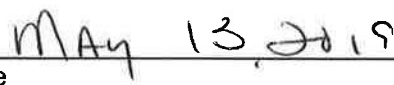
STEPS TAKEN TO CORRECT THE ISSUE(S):

RECEIPTS – Cindy Guinn (Treasurer/Business Manager) has Stephanie Farrington (Payroll/Personnel) confirm each prepared deposit and initial the bank deposit slip.

PAYROLL – Stephanie Farrington (Payroll/Personnel) runs payroll reports for each payroll that confirm employees are paid from the proper funds and amount. This report is reviewed by the Treasurer/Business Manager to ensure accuracy.

SEFA – The SEFA report is reviewed by Dave Chapman (Superintendent) to ensure accuracy prior to submission to the Indiana Gateway System.

Completion Date: July 1, 2018


Signature

Title

Date

765-832-2426

FAX: 765-832-7391

WWW.SVCS.K12.IN.US

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget

Jennifer French, Director of Curriculum, Instruction and Assessment

Jennifer Fossi, Director of Instructional Technology

Stephanie Farrington, Personnel - Payroll - Benefits



SOUTH VERMILLION COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2018-002 – REPEAT (2016-003)

Contact Person Responsible: Debbie Ballock

Contact Phone Number: 765-832-7727

ISSUE:

The School Corporation had not established adequate internal controls to ensure the eligibility determination for free and reduced meal applications were correct or ensure that the eligibility parameters were properly entered in the software; - no documented oversight, review or approval.

The School Corporation had not established effective controls to ensure the criteria for determining eligibility for free and reduced meal prices were publicly announced.

UNIT RESPONSE-CAUSE OF ISSUE:

DUE TO THE DELAY IN AUDITING SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION FOR THE PERIOD OF July 14, 2014-June 30, 2016 (audit completed June of 2018), THERE WAS NO TIME TO TAKE CORRECTIVE ACTION DURING THIS REPORT PERIOD.

STEPS TAKEN TO CORRECT THE ISSUE(S):

Each school treasurer verifies each free/reduced price applications and performs the calculations. The Food Service Director then reviews/approves to ensure accuracy.

The Food Service Director (Debbie Ballock) provides documentation that the free and reduced meal prices are publically announced - by use of the corporation's website - as well as having the forms available at each school during registration.

Completion Date: July 1, 2018

Debbie Ballock 
Signature

FSD
Title

MAY 13, 2019
Date

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget

Jennifer French, Director of Curriculum, Instruction and Assessment

Jennifer Fossi, Director of Instructional Technology

Stephanie Farrington, Personnel - Payroll - Benefits



SOUTH VERMILLION COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2018-003 – REPEAT (2016-004)

Contact Person Responsible for Corrective Action: Debbie Ballock
Contact Phone Number: 765-832-7727

ISSUE:

PROCUREMENT – The School Corporation had not established an effective system of internal controls related to the grant agreement for small purchases exceeding \$3,500.

SUSPENSION AND DEBARMENT – The School Corporation had not established controls to ensure compliance with their procurement policy addressing suspension and debarment.

UNIT RESPONSE-CAUSE OF ISSUE:

DUE TO THE DELAY IN AUDITING SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION FOR THE PERIOD OF July 14, 2014-June 30, 2016 (audit completed June of 2018), THERE WAS NO TIME TO TAKE CORRECTIVE ACTION DURING THIS REPORT PERIOD.

STEPS TAKEN TO CORRECT THE ISSUE(S):

PROCUREMENT – The Food Service Director obtains additional pricing or quotes for small purchases exceeding \$3,500 and keeps all quotes for documentation. Copies are sent to the Business Manager for verification.

SUSPENSION AND DEBARMENT – The Food Service Director verifies that vendors are not suspended or debarred by requiring certification from each vendor and/or checking the SAM website. This verification is sent to the Business Manager for documentation.

Completion Date: July 1, 2018

Debbie Ballock
Signature

FSD
Title

MAY 13, 2019
Date

765-832-2426

FAX: 765-832-7391

WWW.SVCS.K12.IN.US

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget
Jennifer French, Director of Curriculum, Instruction and Assessment
Jennifer Fossi, Director of Instructional Technology
Stephanie Farrington, Personnel - Payroll - Benefits



SOUTH VERMILLION COMMUNITY SCHOOLS

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2018-004 – REPEAT (2016-002)

Contact Person Responsible for Corrective Action: Debbie Ballock

Contact Phone Number: 765-832-7727

ISSUE:

SPECIAL TESTS AND PROVISIONS- The School Corporation had not established an effective system of internal controls and following the paid lunch equity compliance requirements.

UNIT RESPONSE-CAUSE OF ISSUE:

DUE TO THE DELAY IN AUDITING SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION FOR THE PERIOD OF July 14, 2014-June 30, 2016 (audit completed June of 2018), THERE WAS NO TIME TO TAKE CORRECTIVE ACTION DURING THIS REPORT PERIOD.

STEPS TAKEN TO CORRECT THE ISSUE(S):

SPECIAL TESTS AND PROVISIONS – Each school treasurer performs the paid lunch equity calculation. The Food Service Director then reviews and approves each to ensure accuracy.

Completion Date: July 1, 2018

Debbie Ballock *DB*

Signature

FSD

Title

MAY 13, 2019

Date

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget

Jennifer French, Director of Curriculum, Instruction and Assessment

Jennifer Fossi, Director of Instructional Technology

Stephanie Farrington, Personnel - Payroll - Benefits



SOUTH VERMILLION COMMUNITY SCHOOLS

OFFICE OF THE SUPERINTENDENT

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2018-005 – REPEAT (2016-005)

Contact Person Responsible for Corrective Action: Cindy Guinn
Contact Phone Number: 765-832-2426

ISSUE:

The School Corporation had not designed or implemented adequate controls to ensure program income was correctly records. Prepaid meal collections were commingled with collections from sales, ala-carte and catering and recorded as program income.

UNIT RESPONSE-CAUSE OF ISSUE:

DUE TO THE DELAY IN AUDITING SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION FOR THE PERIOD OF July 14, 2014-June 30, 2016 (audit completed June of 2018), THERE WAS NO TIME TO TAKE CORRECTIVE ACTION DURING THIS REPORT PERIOD.

STEPS TAKEN TO CORRECT THE ISSUE(S):

The Business Manager requires monthly program income reports from each school to ensure that only amounts for meals served are transferred as program income. This report is attached to each check the school submits to central office.

Completion Date: July 1, 2018

Cindy Guinn DAC
Signature

Business Manager
Title

May 13, 2019
Date

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget
Jennifer French, Director of Curriculum, Instruction and Assessment
Jennifer Fossi, Director of Instructional Technology
Stephanie Farrington, Personnel - Payroll - Benefits



SOUTH VERMILLION COMMUNITY SCHOOLS

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CORRECTIVE ACTION PLAN

Section III – Federal Award Findings and Questioned Costs

FINDING 2018-006 – REPEAT (2016-006)

Contact Person Responsible for Corrective Action: Debbie Ballock
Contact Phone Number: 765-832-7727

ISSUE:

The School Corporation did not have an effective internal control system in place to ensure compliance with requirements related to the grant agreement and reporting compliance. The Monthly Sponsor Claims for Reimbursement, and School Food Authority Verification Collection Reports were prepared and submitted by one individual without documented oversight, review or approval process.

UNIT RESPONSE – CAUSE OF ISSUE:

DUE TO THE DELAY IN AUDITING SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION FOR THE PERIOD OF July 14, 2014-June 30, 2016 (audit completed June of 2018), THERE WAS NO TIME TO TAKE CORRECTIVE ACTION DURING THIS REPORT PERIOD.

STEPS TAKEN TO CORRECT THE ISSUE(S):

The Annual Financial Reports, Monthly Sponsor Claims for Reimbursement and School Food Authority (SFA) Verification Collection Reports are prepared by the Food Service Director and submitted to central office for review prior to submission.

Completion Date: July 1, 2018

Debbie Ballock *DB*
Signature

FSD
Title

May 13, 2019
Date

David Chapman, Superintendent

Cindy Guinn, Business Manager - Finance - Budget
Jennifer French, Director of Curriculum, Instruction and Assessment
Jennifer Fossi, Director of Instructional Technology
Stephanie Farrington, Personnel - Payroll - Benefits

SOUTH VERMILLION COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 13, 2019, with Cindy Guinn, Business Manager/Treasurer; Stephanie Farrington, Administrative Assistant/Payroll and Personnel; Kelli Hill, School Board member; Bonnie Ave, School Board member; Ginger Corado, School Board Secretary; and Craig Newby, Wabash River Career and Technical Education Cooperative Director.