

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

FEDERAL COMPLIANCE AUDIT REPORT  
OF

SPRINGS VALLEY COMMUNITY  
SCHOOLS CORPORATION  
ORANGE COUNTY, INDIANA

July 1, 2017 to June 30, 2019



**FILED**  
03/23/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Kathy Allstott	07-01-17 to 06-30-20
Superintendent of Schools	Anthony Whitaker Dr. Trevor Apple	07-01-17 to 12-31-18 01-01-19 to 06-30-20
President of the School Board	Todd Marshall Justin Winger	01-01-17 to 12-31-17 01-01-18 to 12-31-19



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE SPRINGS VALLEY COMMUNITY  
SCHOOLS CORPORATION, ORANGE COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the Springs Valley Community Schools Corporation (School Corporation), for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement, which collectively comprise the School Corporation's financial statement and have issued our report thereon dated December 12, 2019, wherein we noted the School Corporation followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the School Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School Corporation's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the School Corporation's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

December 12, 2019, except for the Schedule of Expenditures of  
Federal Awards, for which the date is January 21, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

TO: THE OFFICIALS OF THE SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION, ORANGE COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the Springs Valley Community Schools Corporation's (School Corporation) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School Corporation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the period of July 1, 2017 to June 30, 2019.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-002 and 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

The School Corporation's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, 2019-003, and 2019-004, that we consider to be material weaknesses.

The School Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The School Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE  
(Continued)

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statement of the School Corporation, as of and for the period of July 1, 2017 to June 30, 2019, and the related notes to the financial statement. We issued our report thereon dated December 12, 2019, which contained a dual opinion on the financial statement. An adverse opinion was issued regarding the presentation in accordance with U.S. Generally Accepted Accounting Principles, and an unmodified opinion was issued regarding the presentation in accordance with the Regulatory Basis of Accounting. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

  
Paul D. Joyce, CPA  
State Examiner

January 21, 2020

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## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the School Corporation. The schedule and notes are presented as intended by the School Corporation.

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
<u>Department of Agriculture</u>							
Child Nutrition Cluster							
School Breakfast Program	Indiana Department of Education	10.553					
School Lunch			6160 FY 17-18	\$ -	\$ 71,939	\$ -	\$ -
School Lunch			6160 FY 18-19	-	-	-	61,927
Total - School Breakfast Program				-	71,939	-	61,927
National School Lunch Program							
School Lunch	Indiana Department of Education	10.555					
School Lunch			6160 FY 17-18	-	207,150	-	-
Commodities			6160 FY 18-19	-	-	-	187,510
			6130 FY 17-18,18-19	-	38,099	-	29,797
Total - National School Lunch Program				-	245,249	-	217,307
Summer Food Service Program for Children							
Summer Food Service	Indiana Department of Education	10.559					
Summer Food Service			6160 FY 17-18	-	1,487	-	-
			6160 FY 18-19	-	-	-	3,429
Total - Summer Food Service for Children				-	1,487	-	3,429
Total - Child Nutrition Cluster				-	318,675	-	282,663
Total - Department of Agriculture				-	318,675	-	282,663
<u>Department of Education</u>							
Special Education Cluster (IDEA)							
Special Education Grants to States	Indiana Department of Education	84.027					
Special Education			14216-054-PN01	-	127	-	-
Special Education			14217-054-PN01	-	96,443	-	88
Special Education			18611-054-PN01	-	136,142	-	120,419
Special Education			19611-054-PN01	-	-	-	130,331
Total - Special Education Grants to States				-	232,712	-	250,838

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Years Ended June 30, 2018 and 2019

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient 06-30-18	Total Federal Awards Expended 06-30-18	Passed Through to Subrecipient 06-30-19	Total Federal Awards Expended 06-30-19
Special Education Preschool Grants	Indiana Department of Education	84.173					
Special Education			18619-054-PN01	-	8,204	-	-
Special Education			18619-054-PN01	-	-	-	4,231
Special Education			19619-054-PN01	-	-	-	8,174
Special Education			45716-054-PN01	-	341	-	-
Special Education			45717-054-PN01	-	4,774	-	884
Total - Special Education Preschool Grants				-	13,319	-	13,289
Total - Special Education Cluster (IDEA)				-	246,031	-	264,127
Title I Grants to Local Educational Agencies	Indiana Department of Education	84.010					
Title I			S010A160014	-	54,219	-	-
Title I 2017-18			S010A170014	-	165,425	-	38,826
Title I 2018-19			S010A180014	-	-	-	199,562
PL 107-110 Title I			S010A170014	-	-	-	12,500
Total - Title I Grants to Local Educational Agencies				-	219,644	-	250,888
Rural Education	Indiana Department of Education	84.358					
Rural and Low-Income			S358B160014	-	17,979	-	14,326
Total - Rural Education				-	17,979	-	14,326
Supporting Effective Instruction State Grants	Indiana Department of Education	84.367					
Class Size Reduction			S367A170013	-	30,627	-	-
Class Size Reduction			S367A180013	-	-	-	27,669
Total - Supporting Effective Instruction State Grants				-	30,627	-	27,669
Total - Department of Education				-	514,281	-	557,010
Total federal awards expended				\$ -	\$ 832,956	\$ -	\$ 839,673

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the School Corporation under programs of the federal government for the years ended June 30, 2018 and 2019. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the School Corporation, it is not intended to and does not present the financial position of the School Corporation.

The Uniform Guidance requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$750,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

**B. Other Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

**Note 2. Indirect Cost Rate**

The School Corporation has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3. Special Education Cooperative**

The School Corporation is a member of the South Central Area Special Education Cooperative (Cooperative), which operates the special education program for the School Corporation. As a result, some activity for the Special Education Cluster (IDEA) that is presented on the SEFA is not presented as receipts and disbursements in the financial statement for the School Corporation. This activity is reported on the financial statement of the Cooperative.

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Child Nutrition Cluster	Unmodified
Special Education Cluster (IDEA)	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2019-001**

Subject: Child Nutrition Cluster - Internal Controls  
 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): 6160 FY 17-18, 6160 FY 18-19, 6130 FY 17-18, 18-19  
 Pass-Through Entity: Indiana Department of Education  
 Compliance Requirements: Eligibility, Program Income  
 Audit Finding: Material Weakness

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition and Context*

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

*Eligibility (School Breakfast Program and National School Lunch Program only)*

One employee was solely responsible for performing the eligibility determinations through the Skyward School Management system. There was no evidence of a review, oversight, or approval process to verify the accuracy of eligibility determinations made.

*Program Income*

There was no documentation of a review, oversight, or approval process to verify that program income was properly assessed or recorded.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

*Cause*

Management of the School Corporation had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with the compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

*Questioned Costs*

There were no questioned costs identified.

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, including segregation of duties, related to 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 2019-002**

Subject: Child Nutrition Cluster - Procurement and Suspension and Debarment

Federal Agency: Department of Agriculture

Federal Program: 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): 6160 FY 17-18, 6160 FY 18-19,  
6130 FY 17-18, 18-19

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 2017-002.

*Condition and Context*

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

The School Corporation utilized a food service cooperative for food service bids. The food service cooperative administered the bidding process and verified that the vendors were not suspended or debarred. In addition, the School Corporation utilized five vendors, who were not part of the cooperative, for which the total purchases for the fiscal years 2017-2018 and 2018-2019 were within the small purchase threshold (\$3,500-\$150,000). The School Corporation did not obtain quotes or maintain documentation for the rationale of selecting each vendor for food purchases. The School Corporation did not verify that the vendors with whom the School Corporation entered into a covered transaction were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

2 CFR 200.318(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. . . .

(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. . . ."

2 CFR 180.300 states:

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

You do this by:

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

*Cause*

Management of the School Corporation had not developed a system of internal controls that would have ensured compliance with the compliance requirements identified above.

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls, to ensure compliance with the grant agreement and the compliance requirements identified above.

*Views of Responsible Officials*

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

**FINDING 2019-003**

Subject: Special Education Cluster (IDEA) - Internal Controls

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): 14216-054-PN01, 14217-054-PN01,  
18611-054-PN01, 18619-054-PN01,  
45716-054-PN01, 45717-054-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Matching, Level of Effort, Earmarking

Audit Finding: Material Weakness

*Condition and Context*

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 Matching, Level of Effort, Earmarking compliance requirement.

One employee prepared the maintenance of effort calculation without an internal control system to verify the calculation for accuracy. There was no documentation or other evidence of an oversight, review, or approval process to ensure that the School Corporation was in compliance with the level of efforts requirements of the grant.

The lack of internal controls was isolated to fiscal year 2017-2018.

*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). . . ."

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Cause*

Management of the School Corporation had not developed a system of internal controls that segregated key functions.

*Effect*

The failure to establish an effective internal control system placed the School Corporation at risk of noncompliance with the grant agreement and the compliance requirement listed above.

*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 requirement 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 2019-004**

Subject: Special Education Cluster (IDEA) - Procurement and Suspension and Debarment

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 (or Other Identifying Numbers): 14216-054-PN01, 14217-054-PN01,  
18611-054-PN01, 19611-054-PN01,  
18619-054-PN01, 19619-054-PN01,  
45716-054-PN01, 45717-054-PN01

Pass-Through Entity: Indiana Department of Education

Compliance Requirement: Procurement and Suspension and Debarment

Audit Findings: Matter Weakness, Other Matters

*Condition and Context*

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 is a member of the South Central Area Special Education Cooperative (Cooperative). During fiscal years 2017-2018 and 2018-2019, the Cooperative spent the federal money on behalf of all its members and there was inadequate oversight performed by the School Corporation of the procurement and suspension and debarment practices of the Cooperative.

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Procurement*

The Cooperative did not obtain price or rate quotations from an adequate number of qualified sources, and full and open competition was not provided for purchases that fell within the small purchases requirement. Documentation was not provided to show that consideration was given to the reasonableness of prices of purchases made, and full and open competition was not provided for purchases that fell within the micro-purchases requirement.

The Cooperative had a written procurement policy, however, it did not reflect the required State and Federal laws and regulations.

The Cooperative did not maintain written standards of conduct covering conflicts of interest concerning employees engaged in the selection, award, and administration of contracts supported by federal awards.

*Suspension and Debarment*

The Cooperative's Director signed the Application and Assurance Plan as a condition of Federal assistance, which stated that the Cooperative would verify that contractors were not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded by any federal agency or by any department, agency or political subdivision of the State of Indiana. However, the School Corporation did not have procedures in place to monitor that the Cooperative verified that the vendors were not suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs prior to entering into a covered transaction with them.

There were five contracts during 2017-2018 and two contracts during 2018-2019 that exceeded \$25,000; however, the Cooperative could not provide documentation to show that a verification was performed in order to verify that the vendor was not suspended or debarred prior to entering into covered transactions with these vendors.

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

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

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

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2 CFR 200.318 states in part:

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

(i) The non-Federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. . . ."

2 CFR 200.318(c)(1) states in part: "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. . . ."

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. . . ."

2 CFR 180.300 states:

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

You do this by:

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

*Cause*

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

SPRINGS VALLEY COMMUNITY SCHOOLS CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Effect*

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

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the School Corporation's management establish a system of internal controls related to the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

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

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the School Corporation. The documents are presented as intended by the School Corporation.

# SPRINGS VALLEY COMMUNITY SCHOOLS

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OFFICE OF THE SUPERINTENDENT

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498 SOUTH LARRY BIRD BLVD. • FRENCH LICK, INDIANA 47432-1060  
PHONE (812) 936-4474 • FAX (812) 936-9392

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### ***FINDING 2017-001***

Fiscal year in which the finding initially occurred: 2015-16

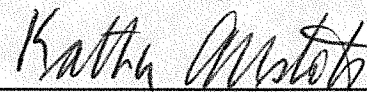
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture

Contact Person Responsible for Corrective Action: Kathy Allstott/Melissa Campbell/Shannon Meehan

Contact Phone Number: 812-936-4474 ext 232

Status of Audit Finding: Corrected October 2018

Documentation of all equipment purchased by the Cafeteria School Lunch Fund over the threshold amount of \$2,500.00 is being forwarded to Corporation Treasurer from the ECA Cafeteria School Lunch Treasurer. The Corporation Treasurer is recording those purchases on the Fixed Assets Inventory maintained in the corporation office. As an internal control measure, the Fixed Assets Inventory list is verified on an annual basis by the Cafeteria Director.



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

Corporation Treasurer, Kathy Allstott  
(Title)

11.18.2019

(Date)

# SPRINGS VALLEY COMMUNITY SCHOOLS

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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### **FINDING 2017-002**

Fiscal year in which the finding initially occurred: 2015-16  
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Department of Agriculture  
Contact Person Responsible for Corrective Action: Kathy Allstott/Melissa Campbell  
Contact Phone Number: 812-936-4474 ext 232

Status of Audit Finding: Not Yet Completed, Correction Expected by April, 2020

During transition of new personnel, the audit finding correction has not been completed. The corporation policy has been updated to reflect the procurement method used is based on the dollar amount specified. The Superintendent, Corporation Treasurer, High School Principal, High School ECA/Cafeteria Treasurer, and Food Service Director are working to finalize oversight procedures.

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

Corporation Treasurer, Kathy Allstott  
(Title)

January 13, 2020  
(Date)

# *Springs Valley Community Schools*

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Mrs. Kathy Allstott  
Treasurer

Dr. Trevor Apple  
Superintendent

Mrs. Peggy Simmons  
Deputy Treasurer

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## CORRECTIVE ACTION PLAN

### ***FINDING 2019-001***

Contact Person Responsible for Corrective Action: Kathy Allstott, Amy Orr, Shannon Meehan, Melissa Campbell

Contact Phone Number: 812-936-4474

Views of Responsible Officials: We concur with the finding.

Description of Corrective Action Plan: The Food Service Director is reviewing the applications for determination of free/reduced eligibility per the grant agreement. The Elementary Principal will then review all applications as an internal control measure to verify the accuracy of eligibility determinations. Proper documentation of eligibility determination will be recorded.

The High School ECA/Cafeteria Treasurer will process the transfer of funds from the Prepaid Lunch Fund to the Cafeteria Fund on a monthly basis for sales incurred. As the second signer on the ECA check, an administrator will review the transfer amount on the sales report compared to the voucher and check amounts as verification of approval of the transfer.

Anticipated Completion Date: March, 2020



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Treasurer

Dr. Trevor Apple  
Superintendent

Mrs. Peggy Simmons  
Deputy Treasurer

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## CORRECTIVE ACTION PLAN

### **FINDING 2019-002**

Contact Person Responsible for Corrective Action: Kathy Allstott, Shannon Meehan, Melissa Campbell  
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The corporation policy has been updated to reflect the procurement method used is based on the dollar amount specified. The Superintendent, Corporation Treasurer, High School Principal, High School ECA/Cafeteria Treasurer, and Food Service Director are working to finalize oversight procedures.

When utilizing vendors who are not a part of the food service cooperative for food service bids, the Food Service Director will obtain quotes or maintain documentation for the rationale of selecting each vendor for food purchases.

Annual verification for vendors who are not a part of the food service cooperative will be done to certify the vendors are not suspended or debarred, or otherwise excluded from or ineligible for participation in federal assistance programs. Verification will be accomplished by one of three methods: 1) The Food Service Director will utilize contracts with said vendors which contains the suspension/debarment language; 2) The High School ECA/Cafeteria Treasurer will obtain affidavits of certification regarding debarment, suspension, ineligibility, and voluntary exclusion; and, 3) If contracts or affidavits are not available, the High School ECA/Cafeteria Treasurer or Food Service Director will notify the Corporation Treasurer of the need to complete verification through the website System of Awards Manager Center ([www.sam.gov](http://www.sam.gov)).

Anticipated Completion Date: April, 2020



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Treasurer

Dr. Trevor Apple  
Superintendent

Mrs. Peggy Simmons  
Deputy Treasurer

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## CORRECTIVE ACTION PLAN

### ***FINDING 2019-003***

Contact Person Responsible for Corrective Action: Kathy Allstott, Trevor Apple  
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The Corporation Treasurer will continue to prepare the matching level of effort calculation to meet the compliance requirement. As an internal control measure, the Superintendent will review the maintenance of effort report for accuracy to ensure compliance with requirements related to the grant agreement.

Anticipated Completion Date: April, 2020



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Treasurer

Dr. Trevor Apple  
Superintendent

Mrs. Peggy Simmons  
Deputy Treasurer

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## CORRECTIVE ACTION PLAN

### ***FINDING 2019-004***

Contact Person Responsible for Corrective Action: Kathy Allstott, Trevor Apple  
Contact Phone Number: 812-936-4474

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: The South Central Area Special Education Cooperative Treasurer will ensure that all vendors are not presently suspended or debarred or otherwise excluded from or ineligible for participation in federal assistance programs. The Special Education Board of Trustees will ensure that all documentation required for vendors is on file at the South Central Area Special Education Cooperative office. As a member of the Cooperative board, the Superintendent will have oversight on the procurement practices of the Cooperative.

Anticipated Completion Date: February, 2020



## OTHER REPORTS

In addition to this report, other reports may have been issued for the School Corporation. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.